# FINANCIAL TIMES

**Computer chips** *Chaos in the marketplace* Page 15

**Death in Brazil** *Sinister demise of Collor colleague* Page 7

**EU currency** *Avoiding a rerun of past disputes* Manfred Neumann, Page 14

TOMORROW'S **Weekend FT** *The Hollywood factory*

World Business Newspaper — FRIDAY JUNE 28 1996


## Nuclear test ban talks look likely to miss deadline

Today's deadline for negotiations on a world nuclear test ban looks set to pass with participants still deadlocked over conditions for bringing the treaty into force. They have been asked to return to Geneva in a month with their governments' verdicts on a final draft deal. But if they cannot agree in July, diplomats warn that the talks, launched early in 1994, will probably collapse. Page 16

**World Bank hails swift change:** Rapid and widespread market-based reform has successfully steered many former centrally planned Communist states towards market economies, said the World Bank in a strong retort to critics who advocated more gradual transition. Page 16

**Russia's security chief targets thieves:** Alexander Lebed (left), Russia's new national security supremo, backed calls for tighter visa requirements to keep "thieves" out. "Everyone comes to Russia to steal," he told a news conference. "Russia's wealth is for Russia." Mr Lebed's comments came after Boris Jordan, one of the best-known foreign investors in Russia, was refused entry. Page 2

**Olivetti shares dive:** Shares in Italian computer and telecoms group Olivetti lost nearly 3.5 per cent yesterday after Wednesday's news that the chief executive planned to step down. Page 17; Lex, Page 16; World stocks, Page 38

**Drug stake to be sold:** US consumer goods company Procter & Gamble will stop marketing Aleve, a top-selling painkiller in the US, because it is selling its 50 per cent stake in the drug to Swiss joint venture partner Roche. Page 17

**Japan's industrial output up 2%** Japan's industrial output rose by 2 per cent from April to May, preliminary official figures show. Outpnt rose by 3.2 per cent in April, Page 5

**Vietnam 'names new politburo':** Vietnam's 8th party congress is said to be about to back a new and expanded politburo – the country's main policy making body – including both young technocrats and old-guard revolutionaries.

**Lloyd's chief criticised:** John Charman, joint deputy chairman of Lloyd's of London, has been publicly criticised by the insurance market's other deputy chairman and by its director of regulation in a row over the future of Lloyd's Names, the individuals whose assets traditionally supported the market with unlimited liability. Page 11

**Tobacco giants fight on:** US tobacco companies seemed to have won a round in their fight against anti-smoking litigation with the Florida Supreme Court virtually wrecking the state's attempt to sue the industry for $1.4bn in health care costs. Page 7

**Seven jailed in Bahrain:** The state security court in the Gulf state jailed seven people on charges of planting bombs at two Bahrain hotels, a lawyer said.

**Czechs in coalition pact:** Czech government parties signed a coalition agreement, ending almost a month of negotiations.

**Iceland seeks president:** Icelanders go to vote tomorrow for a successor to Vigdis Finnbogadottir, who is stepping down after 16 years. Opinion polls point to former left-wing member of parliament Olafur Ragnar Grimsson as next head of state. Viking champion steps down, Page 2

**Close encounter:** The unmanned spacecraft Galileo passed within 534 miles of Ganymede, the biggest of Jupiter's moons. Pictures are expected back on Earth over the next few days.

**Woman accused of poisoning:** A Spanish woman dubbed the "black widow" has been accused of poisoning seven people with her daughter's help. Four of her victims, including her husband, brother-in-law and two neighbours, are said to have died.

**Shipyard chief quits:** Ryszard Goluch, managing director of the bankrupt Gdansk shipyards, where Poland's Solidarity trade union movement was born, offered his resignation. "There is no water, no electricity, no work for 80 per cent of staff and most of the telephones have been disconnected," he said. "Under those conditions, I can no longer lead the business."

**Yiddish paper folds:** Unzer Wort, the only Yiddish newspaper left in Europe, makes its final appearance in Paris today after nearly 50 years.

**STOCK MARKET INDICES**

| | | |
|---|---|---|
| *New York: lunchtime* | | |
| Dow Jones Ind Av | 5,655.73 | (-26.97) |
| NASDAQ Composite | 1,158.89 | (+5.60) |
| *Europe and Far East* | | |
| CAC40 | 2,112.85 | (-0.49) |
| DAX | 2,551.62 | (-22.07) |
| FT-SE 100 | 3,678.8 | (-16.7) |
| Nikkei | 22,501.61 | (-165.19) |

**US LUNCHTIME RATES**

| | |
|---|---|
| Federal Funds | 5¼% |
| 3-mth Treas Bills: Yld | 5.197% |
| Long Bond | 87⅞ |
| Yield | 7.031% |

**OTHER RATES**

| | | |
|---|---|---|
| UK: 3-mo Interbank | 5⅞% | (same) |
| UK: 10 yr Gilt | 96⅞ | (96⅜) |
| France: 10 yr OAT | 104.48 | (104.75) |
| Germany: 10 yr Bund | 97.44 | (97.78) |
| Japan: 10 yr JGB | 98.2971 | (98.1226) |

**NORTH SEA OIL (Argus)**

| | | |
|---|---|---|
| Brent Dated | $18.35 | (18.51) |

**GOLD**

| | | |
|---|---|---|
| *New York: Comex* | | |
| (Aug) | $383.6 | (384.7) |
| *London:* | | |
| close | $383.3 | (383.5) |

**DOLLAR**

| | | |
|---|---|---|
| *New York: lunchtime* | | |
| £ | 1.547 | |
| DM | 1.52125 | |
| FFr | 5.144 | |
| SFr | 1.2505 | |
| Y | 109.325 | |
| *London:* | | |
| £ | 1.5450 | (1.5425) |
| DM | 1.5218 | (1.5287) |
| FFr | 5.1490 | (5.1716) |
| SFr | 1.2509 | (1.2595) |
| Y | 109.295 | (109.52) |

**STERLING**

| | | |
|---|---|---|
| DM | 2.3526 | (2.3579) |
| Tokyo close: | Y 109.41 | |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Albania | LEK 220 | Germany | DM4.00 | Lithuania | Lit 15.00 | Qatar | QR13.00 |
| Austria | Sch37 | Greece | Dr400 | Lux | LFr75 | S.Arabia | SR12 |
| Bahrain | Din1.250 | Hong Kong | HK$20 | Malta | Lm0.85 | Singapore | S$4.30 |
| Belgium | BFr75 | Hungary | Ft230 | Morocco | MDh16 | Slovak Rp | Sk65 |
| Cyprus | CC1.20 | Iceland | IKr230 | Neth | Fl 4.75 | S. Africa | R12.00 |
| Czech Rp | Kc60 | India | Rs75 | Nigeria | Naira90 | Spain | Pta250 |
| Denmark | DKr16 | Israel | Shk7.90 | Norway | NKr20.00 | Sweden | SKr20 |
| Egypt | E£5.00 | Italy | L3200 | Oman | OR1.50 | Switz | SFr3.70 |
| Estonia | EKr 22 | Japan | Y500 | Pakistan | Rs40 | Syria | S£65.00 |
| Finland | FM15.50 | Jordan | JD1.50 | Poland | Zl 5.50 | Tunisia | Din1.750 |
| France | FFr11.50 | Kuwait | Fils650 | Portugal (mainland) | Es240 | Turkey | L80,000 |
| | | Lebanon | LL3,000 | | | UAE | Dh12.00 |

Japanese trading house worked in tandem with Chinese companies in the market

# Sumitomo controlled copper price

By Financial Times Reporters

Sumitomo Corporation, the Japanese trading house, has worked in tandem with Chinese government companies in attempts to control the world copper price during the past decade, a Financial Times investigation has discovered.

For years, through his control of international copper stocks and the sheer size of his trades, Mr Yasuo Hamanaka, Sumitomo's chief copper trader, was able to force prices on the London Metal Exchange higher or lower at will, enabling Sumitomo to profit from investments in financial derivatives.

The FT investigation indicates, however, that Sumitomo – which earlier this month said rogue trading by Mr Hamanaka had cost it $1.8bn – was finally unable to cope with a concerted selling attack by hedge funds and other north American investor groups, in particular, the Montreal-based American Iron & Metals, run by Mr Herbie Black, a scrap-metal dealer and metals market player.

The assault on Sumitomo's commanding position was not successful overnight. The funds found that selling 100,000 tonnes short – betting that the price would fall – did not move the market. They tried 200,000 tonnes. Eventually they threw 800,000 tonnes at Mr Hamanaka – equivalent to 75 per cent of Japan's annual production of refined copper – and still the price did not move.



Months of short-selling had such little effect that even Mr George Soros, the hedge fund investor who successfully bet against sterling in 1992, gave up the fight in March. By mid-May, however, the bet on falling prices finally paid off. The breakthrough came in one deal – Mr Black's selling short of 50,000 tonnes late on the afternoon of Friday, May 17, on the day when rumours were circulating that Mr Hamanaka had been transferred to other duties.

Mr Black was expecting the usual retaliation from Sumitomo, but with Mr Hamanaka apparently not at his post, the sale was unchallenged and the rout began. Other short-sellers joined in. By the end of the next trading day, Monday, the copper price had dropped by a total of 12 per cent.

A telling blow was struck by Mr Hamanaka's erstwhile Chinese allies. Sumitomo – which has two copper joint ventures in China – had worked closely with Chinese state companies, investing in derivatives and handling their copper imports and exports.

Mr Hamanaka used those contacts and the market's knowledge of that relationship to influence prices, and both Sumitomo and Chinese companies profited from their shared knowledge of the other's intentions. But once China sensed the tide had turned, it sold copper heavily, accelerating the collapse. A senior Chinese official said state companies had sold 300,000 tonnes in the past two months.

Since Sumitomo lost control of the market in mid-May, the copper price on the LME has plunged by 28 per cent, even after a $119 recovery yesterday to $1,919 a tonne.

At Sumitomo's annual meeting in Osaka yesterday, the company failed to reveal any new information including the true amount of losses, which traders suggest could reach $4bn.

Sumitomo maintained that the losses were caused by Mr Hamanaka alone. Mr Mutsumi Hashimoto, vice president, and Mr Kunihiko Matsuoka, one of the company's auditors, said executives and auditors were unaware of Mr Hamanaka's trades since they were "devious and complicated". But Sumitomo announced later that the promotion of Mr


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Japan passes AGM test, Page 17;
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# Eurotunnel sets August deadline for debt accord with banks

By Andrew Jack in Paris

Eurotunnel, the troubled Anglo-French operator of the Channel tunnel rail link, yesterday gave itself until the end of next month to reach an outline accord with its creditor banks.

Mr Patrick Ponsolle, co-chairman, suggested to shareholders at the group's annual general meeting in Paris that if there was no significant agreement by the end of July, "we will never get there... [and] we will have to bear the consequences".

He said the group had already agreed in principle that the banks would convert some of the debt into equity, that interest on the remaining debt would be at lower rates over the next few years and that shareholders would have subscription rights enabling them to reduce dilution in the future.

He stressed that the group would ensure that the original shareholders maintained their control over a "clear majority" of the equity.

He said the group and the banks remained at odds on the amount of interest to take into account in the discussions, the rate of dilution of the equity and the price of conversion of debt into shares, the rate of interest to pay on the remaining debt and the date and amount of the first dividend.

As a result, the Eurotunnel board has asked the Paris commercial court to extend for another month the mandate of the two *mandataires ad hoc*, or mediators – Mr Robert Badinter and Lord Wakeham – who were appointed to help with negotiations, and whose contracts expire at the end of this month.

Mr Ponsolle said: "The board will not sign an accord that we do not consider equitable for shareholders." He stressed that any final agreement would in any case be submitted for approval by all shareholders "with the greatest transparency" before the end of the year.

He added that a restructuring also required a contribution from the French and British governments, such as an extension to the 55 years remaining on the concession for the tunnel, and a modification to the rules imposed by the intergovernmental commission which regulates its operations.

Earlier in the day, Eurotunnel had released figures suggesting that in the three months to May it had reached an operating break-even after depreciation charges but before interest payments, and said it should pay a "reasonable" dividend by 2004. Total interest due but not paid until the end of this month is FFr4bn ($760m). Mr Ponsolle's


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# G7 to prepare anti-terrorism measures

By Robert Peston, Guy de Jonquières and David Buchan in Lyons

Leaders of the Group of Seven leading economic nations last night united in condemnation of international terrorism and began preparing a package of measures to combat what US President Bill Clinton called the "security challenge of the 21st century".

In the wake of the recent bombing outrages in Dhahran, Saudi Arabia, and Manchester, England, France's president Jacques Chirac put the fight against terrorism at the top of the agenda of the G7's annual summit in Lyons, France.

Mr Chirac proposed that the G7 hold a special summit in Paris shortly to thrash out a series of specific measures because there was insufficient time yesterday to put together concrete proposals.

In spite of this display of unity, European leaders indicated they would rebuff any US attempts to exploit the widespread security concerns to push for extra-territorial trade and investment sanctions against "rogue" regimes in Cuba and the Middle East.

US officials said yesterday that the Helms-Burton law affecting Cuba, and pending legislation which would impose sanctions on companies trading with the oil industries of Iran and Libya, were justified by the need to punish regimes giving succour to terrorist groups. Helms-Burton allows private legal actions in US courts against companies profiting from expropriated assets in Cuba.

"We have to make a clear distinction between how to control terrorism and commercial legislation," said Mr Jacques Santer, president of the European Commission.

However, in a pre-summit meeting with Mr Chirac, Mr Clinton did not, according to French officials, use Tuesday's Dhahran bombing to bolster the case for the controversial US trade legislation. Sir Leon Brittan, the EU trade commissioner, said he continued to object to the Helms-Burton law and to draft legislation aimed at Iran and Libya because they were at odds with the rule of law.

A British official said Mr John Major, the UK prime minister, had made clear to Mr Clinton yesterday that he was "concerned about the practical implications" of Helms-Burton. French officials said Mr Chirac took the same view.

Last night a lavish dinner, prepared by four of France's greatest chefs to mark the opening of the summit, was dominated by discussion of the draft statement on terrorism prepared by Mr Chirac.

Mr Clinton has been pressing for a mutual co-operation pact covering eight main areas, including improved extradition procedures, international legal assistance, an attack on corruption among government officials and moves to stamp out money laundering and computer crime.

Speaking earlier in the historic French village of Perouges, he said that if the G7 worked together it could "face these terrible new threats to our security successfully."

Tuesday night's bombing in Saudi Arabia caused the deaths of 19 US nationals and injured almost 400 people.

A man saying he spoke on behalf of a previously unknown group, "Hizbollah-Gulf," yesterday claimed responsibility for the explosion.

It was not possible to verify the Hizbollah-Gulf claim, the second by an unknown group claiming responsibility for the blast.

Formal welcome: Japanese prime minister Ryutaro Hashimoto (right) is greeted by an honour guard on his arrival at Lyons airport for the G7 summit Picture: AP


World Bank pressed on debt initiative, Page 4


# Brussels proposes to relaunch campaign to harmonise VAT

By Gillian Tett and Jim Kelly

European businesses are paying Ecu4bn ($4.92bn) in unnecessary costs because of flaws in the current value added tax system, the European Commission has estimated. The calculations come as the Commission attempts to relaunch its campaign to harmonise the treatment of value added tax in the European Union next month.

The proposals, which would try to make businesses pay VAT in the country of origin for cross-border transactions rather than the country of destination, are likely to be strongly resisted by many governments.

But the Commission calculates that the current system makes it very costly for businesses to administer VAT across borders. It insists that sweeping changes are needed to help business, stop the growth of the black economy and boost government revenues.

It believes that tightening the system could increase the overall level of tax collected in the EU – and thus make it easier for governments to cut their budget deficits to meet the requirements for European monetary union.

"A change towards a situation in which goods would circulate tax-paid, making the system simpler and thus better protected against fraud would therefore be a major contribution ... to the fulfilling of the Maastricht criterion," its preliminary report says.

Commission officials have calculated that each percentage point of the total EU cross-border trade – currently about Ecu800bn a year – that is diverted to the growing black economy costs governments about Ecu1bn in lost revenue. The level of VAT receipts has been lower than expected in recent years in countries such as the UK and France. Although some of this shortfall can be explained by weaker consumer spending, some of it remains unexplained.

The Commission wants to press ahead with the so-called "origin" system for business VAT. It also wants to harmonise VAT rates and extend the scope of VAT to include items like telecommunications which sometimes fall outside the regime.

However, the programme is already behind deadline. It was supposed to start operation on January 1 1997. Even the Commission's optimistic schedule places it at mid-1999. Details of the Commission's proposals will be unveiled only next month. It hopes to turn these into legislative proposals later this year.

CONTENTS








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# Schengen to speed entry of new states

By Gordon Cramb in The Hague

Negotiations to admit Sweden, Denmark and Finland to the Schengen club of countries promoting borderless travel are to be accelerated so they can be ready to join by the end of the year.

A meeting of the Schengen executive in The Hague yesterday also promised to speed the drafting of co-operation agreements with Norway and Iceland, which share an existing passport union with the European Union's three Nordic members.

With the five aspirants present yesterday for the first time as observers, the executive sought to set aside persistent differences among the present membership over how to control drugs and terrorism.

Mr Michiel Patijn, Dutch state secretary for foreign affairs, who chaired the gathering, said a large area allowing free movement of people and co-operating on police and immigration issues had "the potential to provide a vivid example to the intergovernmental conference [on European union] that practical results in justice and home affairs can be obtained and will be obtained".

The new government in Italy, which, along with Austria and Greece, is among Schengen's 10 signatories but does not operate the core provisions of the treaty, promised to give top priority to putting measures in place which will allow it to do so.

Even Switzerland had given "indications, though still only very tentative and informal", that it might be prepared to co-operate more closely, according to an account of a meeting last month between Swiss officials and the present Dutch presidency of Schengen. As Austria also moves towards lifting frontier controls, Switzerland is concerned that being an island in the middle of an otherwise united Europe may start to create practical day-to-day problems.

Members hailed an EU convention on improved extradition procedures, concluded on Wednesday, as "a very positive development in terms of co-operation between member states". It is likely to avert the recurrence of a clash within Schengen such as that between Belgium and Spain over the former's failure to extradite an alleged member of Eta, the Basque separatist organisation.

On drugs, Schengen's main internal difficulty, tensions remained evident between France and the Netherlands, whose toleration of cannabis use has led Paris to keep controls on its northern border. Mr Michel Barnier, France's deputy minister for European affairs, said these would be maintained though progress had been made.

A scanner is being installed at Rotterdam port to seek out large drug consignments from abroad, and both the number of semi-licit Dutch "coffee shops" and the amount of cannabis they can sell each customer are being cut sharply. From next month, a Dutch police commissioner is being seconded to the Paris embassy as a confidence-boosting measure. Further discussions could take several months, Mr Barnier said.

A report on Schengen's external borders said that to ward off illegal migrants, some member countries were pushing for heavier use of preboarding controls at foreign airports - an issue likely to concern airlines using hubs such as Amsterdam's Schiphol.

# Bonn spending cuts defended by Tietmeyer

By Andrew Fisher in Schlangenbad, Germany

Mr Hans Tietmeyer, president of the Bundesbank, yesterday defended the German government's controversial programme of spending cuts and welfare reform. There was no danger of social benefits being wiped out, he said, and pointed to tough budget action taken by other European countries.

He also repeated the central bank's view that the German economy had passed its low point, though it was still too early to tell when recovery would come. "There are increasing signs of an economic revival in the second quarter," he said.

Mr Otmar Issing, a Bundesbank director, said positive economic news had increased, but consumers and companies were still cautious about new spending. "One swallow does not make a summer. We shall have to wait and see."

However, Mr Tietmeyer warned that an economic upturn would only have a limited impact on the country's acute unemployment levels. Thus, there was no alternative to the government's growth and jobs package aimed at saving some DM70bn ($45bn) next year in public-sector and social security spending.

"Unemployment cannot be reduced without structural adjustments," he said. The labour market had to be made more flexible and high social security costs and sickness pay reduced. He was speaking at a press conference in Schlangenbad, a spa town near Wiesbaden, after the one council meeting held each year outside the bank's headquarters.

But he added: "There is no question of social benefits being cut to the bone." He pointed out that the Netherlands, Austria and Scandinavian countries had also acted firmly on spending. However, the government savings package was handled by parliament "neither its total volume nor its basic aims should be called into question".

The Bundesbank made no interest rate changes, but Mr Tietmeyer said it would watch monetary trends to see if there was scope to cut the securities repurchase (repo) rate. This was left at 3.30 per cent when the discount and lombard rates were cut by half a percentage point to 2.5 and 4.5 per cent respectively in April.

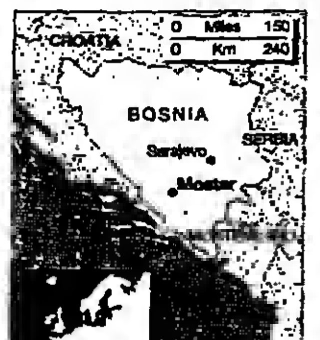
Mr Issing saw no reason to change the 4-7 per cent target for M3 growth this year, despite monthly rises of more than 10 per cent on an annualised basis. M3's overall trend in recent years had been far more moderate - "so we are not overly worried if the target is overshot".

Flashback to the war: This bridge replaced Mostar's famous Ottoman span. Others have been built since the war ended. But many people are still too frightened to cross them to vote AP

# Elections unlikely to bridge Mostar divide

## Sunday's poll is seen as test case for nationwide voting in September, writes Harriet Martin

There is little picturesque now about the narrow winding lanes and marbled houses of Mostar's old town. The elegant sixteenth-century bridge, once the city's main tourist attraction, now lies in pieces at the bottom of the Neretva River. The mosques are mostly decapitated and the houses windowless shells.




Bosnia's most beautiful city was wrecked when Croats fought a year-long war to secede from the Moslem-led Bosnian government. This ended in March 1994 when, under US pressure, the two sides, which each comprised roughly a third of the pre-war population of 130,000, were forced into an uneasy partnership known as the Bosnian Federation.

Following the forming of the federation, the European Union came in to administer the city, with a mandate to reunify, reconstruct and hold city council elections.

The date for those elections is Sunday. But neither the federation nor the EU administration has managed to unify the city. Mostar remains a microcosm of the rest of the federation - there are still separate currencies, media, telephone systems and licence plates - and this weekend's polls are seen as a test case for the nationwide elections in September.

They look certain to confirm the division of Mostar rather than reintegrate it. Though the Moslem and non-nationalist parties are campaigning on a "United Mostar" ticket, the dominant Croat nationalist party, the HDZ, is expected to absorb most of the Croat vote. One local poll estimated it would receive 82 per cent of it.

However, the last-minute appearance on the political scene of an independent Croat, Mr Jole Musa, has cast a slight doubt over the predetermined result, which allots the Moslems and Croats 16 seats each on the city council. Another five seats will be filled by Serbs.

Mr Musa, once director of the factory in the town, is heading the United Democrats, who include Moslems, Serbs and Croats. Like the Moslem parties, he is campaigning for a united Mostar.

"We want to be an alternative to the current situation," he said. "We want to give citizens a chance to choose something other than the status quo. Our goal is a united town."

The Croat nationalist parties fear that if Mr Musa were to do well, the Croat members of his alliance would take up Croat seats on the city council, tipping the balance in favour of a united city.

Earlier this week, four of the seven Croats running for election with him pulled out. Mr Musa said: "Those people gave in to pressure or else they only joined our party in the first place to discredit it."

Mr Musa and his colleagues have all received threatening phone calls and now have protection from Nato's implementation force (Ifor) troops.

About half the city's pre-war population of 127,000 fled the fighting. The elections are based on the pre-war census of 1991 and these people will be entitled to vote on Sunday. As many as 12,000 of them will do so in Germany, Sweden, Denmark and Switzerland, but thousands of others are expected to return to the city to vote.

The EU has agreed to pay for buses for people coming back to the city. The Moslems have arranged for 15 buses for Sunday. The Serbs, many of whom are now in Serbia, are still talking about whether to use them. The Croats have refused the EU's offer and say they will make their own arrangements.

With thousands of people coming back, the city's streets will be full of Ifor troops on Sunday. At present, few people dare cross the old confrontation line, but many will have to do so in order to vote in the district they lived in before the war.

Mr Alija Behram, director of Mostar radio and television on the east side of the city, who has opened his media to all parties in the contest, said he expected many people would not vote because they were too frightened to cross to the Croat side. "Many people, especially the men of military age, just won't be voting because of this.

"The EU had promised us they would reunite the city. But it seems they are prepared to leave Mostar as they found it two years ago."

Though many EU officials in Mostar are exasperated after two fruitless years of trying to reknit the city, Mr Ricardo Perez-Casado, the current EU administrator, is sanguine about Sunday's likely results. "The city will be what the united municipal council wants it to be," he said. "It's not possible to unite people by decree."

# Italy to be year off Maastricht targets

By Robert Graham in Rome

Italy's new centre-left government yesterday unveiled its three year macro-economic targets, revealing it would be a year late complying with convergence criteria for budget deficits laid down by the Maastricht Treaty.

The Prodi government's document, only unveiled in broad outline, said the budget deficit would be cut to 4.4 per cent of GDP next year and reach 3 per cent in 1998. This compares with the Maastricht demand for countries to have cut their deficits to 3 per cent of GDP by the end of 1997, to participate in monetary union.

The decision on the deficit reflected the majority view in cabinet that more draconian measures in next year's budget risked provoking social unrest. The government is also convinced more flexible criteria can be negotiated with Italy'e EU partners in the run-up to monetary union, scheduled for 1999.

One argument likely to be exploited is Italy's strong primary surplus (sum of budgetary expenditures and receipts but excluding the cost of debt service). Officials said yesterday the primary surplus next year would be over 5 per cent.

To emphasise Italy's commitment to monetary union, the government said yesterday it would be setting up under the aegis of the treasury a special committee to supervise introduction of the Euro. This would co-ordinate three working groups at the treasury, the Bank of Italy and at the Bankers Association (ABI), which are already operational.

The three-year economic framework anticipated a 1997 budget that would find L32,500bn ($21bn) in spending cuts and new revanues to lower the deficit from L109,000bn to L88,000bn. Of this, two-thirds would come from savings on spending and one third in fiscal measures. The 1997 budget would also benefit from nearly L20,000bn from measures in this month's mini-budget.

The government adopted an ambitious target for inflation, forcing it down from current levels of 4 per cent to 2.5 per cent in 1997. This was the source of some tension within the cabinet and was one of the reasons behind the week-long delay publishing the programme. The low target was based on a fall in raw material prices, a stronger lira, tight monetary policy and slack domestic demand.

Economic growth has slowed more sharply than expected. The programme estimated the economy would grow 1.2 per cent this year, half the original estimate. Next year it would rise to 2 per cent, reaching 2.8 per cent in 1998. The latest growth estimates from Confindustria, the industrialists confederation, are much more cautious, predicting 0.7 per cent this year.

# Export rise fails to stem concerns

By Peter Norman in Bonn

German exports are forecast to rise by 5.5 per cent in value this year, but this above average expansion will not give an automatic boost to economic growth, according to the country's chambers of commerce.

Mr Franz Schoser, chief executive of German chambers of industry and commerce (DIHT), said trade and economic growth had become uncoupled as a result of globalisation. Though the export growth expected by the DIHT is far higher than the 2.1 per cent forecast in nominal gross domestic product forecast recently by the Organisation for Economic Co-operation and Development, Mr Schoser said there was no reason to worry any less about Germany's international competitiveness.

He was presenting the DIHT's latest survey of export and import prospects, compiled with German chambers of commerce abroad. It expects the Asia and Pacific regions to be the most dynamic foreign markets this year. They have overtaken North America in this respect in the past three years.

Mr Schoser forecast double-digit growth in exports to India, South Korea, Malaysia, Vietnam, the Philippines, Taiwan and Japan. China, currently embroiled in a dispute with Germany over Tibet, is expected to increase its demand for German goods by 8 per cent this year and remain an important market over the long term.

The DIHT forecast German imports will rise by about 2.5 per cent in value terms this year from DM634.3bn ($404bn) in 1995, pushing up the trade surplus to more than DM100bn from DM93.4bn last year.

Mr Schoser said this relatively low import growth would mainly reflect increased buying of raw materials and components as German manufacturers tried to cut costs, diversify their sourcing, rationalise their production and boost exports. Germany's weak economic growth would offer little scope for exporters of finished goods elsewhere in Europe and North America. By contrast, the DIHT forecast a 6 per cent increase in imports from the Asia-Pacific region and double digit growth in imports from central and eastern Europe.

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# Iceland's Viking champion steps down

## The fight to succeed the country's revered leader of 16 years has been a robust affair

By Hugh Carnegy in Stockholm

A notable era in Iceland's half-century of independence will end tomorrow when the country elects a new president to succeed Ms Vigdis Finnbogadottir, holder of the office for the past 16 years and a popular symbol of the island nation of just 270,000 people.

The succession has already sparked controversy as the candidate leading the polls ahead of the election is Mr Olafur Ragnar Grimsson, a leading leftwinger who in the past has taken stances against Iceland's membership of Nato and its defence alliance with the US.

Ms Finnbogadottir, now 65, decided to step down after four terms in office despite being virtually assured of re-election. As the world's first elected woman head of state, she captured the affection of Icelanders through her tenacious promotion of the country's Viking language and culture.

But the serenity of Ms Finnbogadottir's rule has been overtaken by a robust election campaign that has strong political undertones despite the largely ceremonial role of the presidency. Yesterday, a group of business leaders placed an advertisemant in Morgunbladit, the country's biggest newspaper, attacking Mr Grimsson, a former finance minister and former leader of the leftwing People's Alliance.

Candidates themselves have not taken overt political positions. Mr Grimsson has in recent years backed away from an anti-Nato stance. But the right-of-centre government, led by the Independence party of Mr David Oddsson, appears to be unsettled by his popularity and growing support for Ms Gudrun Agnarsdottir, a former leader of the Women's Alliance, an all-female party represented in parliament.

The candidate of the right, Mr Petur Hafstain, is a supreme court judge and son of former Independence party prime minister Johann Hafstein. There is also a fourth candidate: Mr Astthor Magnusson, a prominent businessman and founder of an international organisation called Peace 2000.

The latest poll in Morgunbladit put Mr Grimsson ahead on 36.4 per cent, with Mr Hafstein closing the gap on 32.4. Ms Agnarsdottir also showed strongly, on 27 per cent. The right is hoping that a last-minute swing to Mr Hafstein and the split between his opponents will be enough to carry the day. The winner of the largest share of the votes wins the contest outright.

Ms Finnbogadottir pursued a non-political line. In recent years, however, she has supported the government's stance that European Union membership is impossible for Iceland if it means losing sovereignty over its all-important fishing grounds.

Iceland at present is a member of the European Economic Area trading agreement with the EU, but the issue of EU membership is likely to be revived if the Union expands, threatening to leave Iceland isolated.

But for the time being, the country is doing quite well on its own. The economy is set to grow by 4.5 per cent this year and 3 per cent in 1997 as fishing revenues - the backbone of the economy - are performing strongly and private spending is high. The National Economic Institute warned this month that the main danger was of overheating as national expenditure was outstripping income. It called for a tighter fiscal policy.

EUROPEAN NEWS DIGEST

# Karadzic 'guilty of ultimate crime'

United Nations prosecutors yesterday accused Mr Radovan Karadzic, the Bosnian Serb leader, and his military commander, General Ratko Mladic, of orchestrating a massive and systematic campaign of genocida and "ethnic cleansing" which cost thousands of civilian lives during the Bosnian war.

"I do not hesitate to add the name of Srebrenica ... to a list of the most horrendous, unimaginable war crimes since the end of the second world war," Swedish prosecutor Eric Ostberg told the first day of a public hearing in The Hague against the two Bosnian Serb leaders accused of genocide.

"Thousands of Bosnian Moslems and Croats were systematically arrested, interned ... and in many cases murdered under the ultimate command of the two indictees," he said. "Detainees were repeatedly subjected to inhumane acts including murder, rape, sexual assault, torture, beatings. Women and girls were detained and raped."

Mr Ostberg said he would seek to prove that Mr Karadzic and Gen Mladic were guilty of "the ultimate crime of genocide".

Earlier, a lawyer representing Mr Karadzic was effectively barred from hearings after the tribunal rejected his request to sit in on the proceedings. Mr Igor Pantelic, representing Mr Karadzic and Gen Mladic, was told he would be welcome in the court if he was accompanied by his clients.

"I stress I can see no way.... for the appearance of Pantelic unless he brings his clients. He's perfectly welcome to follow all our proceedings from the [public] gallery," Mr Ostberg said.

Under tribunal rules, defence counsel are barred from attending hearings at which prosecutors present evidence against those charged but not yet arrested.

Meanwhile, Mr Carl Bildt, the international mediator in Bosnia, turned a deaf ear yesterday to demands by Bosnian Serb hardliners for face-saving concessions in return for the resignation of Mr Karadzic. A spokesman for Mr Bildt said no deals were on offer.

*Reuter, The Hague*

## Lebed accuses foreign 'thieves'

Mr Alexander Lebed, Russia's new top national security official, said yesterday he backed calls for tightening visa requirements to keep "thieves" out of the country. "Everyone comes to Russia to steal," Mr Lebed told a news conference. "I'm against this. Russia's wealth is for Russia."

His comments came after Russian authorities denied entry to Mr Boris Jordan, one of the best-known foreign investors in Russia. Officials have given no explanation, but the investment bank Mr Jordan co-founded, Renaissance Capital, has said the restrictions appear to be related to his shareholdings in Russian companies. But Mr Lebed said he did not favour closing off foreign access. "We're glad to welcome good neighbours, guests. But we'll make laws against thieves."

Mr Lebed played down the existence of a draft national security programme attributed to him, calling for sharply restricted visits by foreigners, using intelligence agencies to gather commercial information and tightening state control of foreign trade. Mr Lebed said the document had been drafted before his appointment as head of the security council last week by President Boris Yeltsin.

*AP, Moscow*

## Blame in Bremer Vulkan affair

The Treuhand, the agency charged with privatising east German industry, and the BvS, its successor, exercised insufficient control over state-backed funds granted to Mr Friedrich Hennemann, the former chairman of Bremer Vulkan charged last week with breach of trust with the Treuhand.

In a report drawn up by the federal auditing office and discussed yesterday by the budget committee of the Bundestag, the lower house of parliament, it said the Treuhand's special contracts management department - set up specifically to monitor the implementation of all investments - failed to keep sufficient track of public funds granted to Bremer Vulkan after it had bought three east German shipyards from the Treuhand in 1992.

More than DM850m ($552m) of those public funds had been diverted from the east German yards to Bremer Vulkan, and some of the funds used to prop up loss-making divisions of the parent company.

Bremer Vulkan was placed under the protection of its creditors earlier this year after its new management said it had run up losses of more than DM1bn last year and debts of more than DM2.2bn.

*Judy Dempsey, Berlin*

## Greece's PM may face contest

Greece's prime minister, Mr Costas Simitis, yesterday claimed the post of chairman of the governing Panhellenic Socialist Movement left vacant by the death on Sunday of Mr Andreas Papandreou, the party's founder.

Mr Simitis told the opening session of a special Pasok congress that his opponents' proposal for a collective leadership would mean defeat for the Socialists at next year's general election. But hardline delegates booed and whistled during the prime minister's address, indicating that Mr Simitis and his pro-European faction face difficulties in rallying the party behind them.

Despite younger Socialists' attempts to maintain a facade of unity after Mr Papandreou's death, Mr Akis Toschatzopoulos, public administration minister, and Mr Gerasimos Arsenis, defence minister, are expected to try to unseat Mr Simitis and take over as party chairman and prime minister respectively. More than 5,000 delegates will elect Pasok's new chairman at the weekend.

*Kerin Hope, Athens*

## EU postal liberalisation setback

Moves towards liberalising postal services in the European Union suffered a setback yesterday when industry ministers rejected new compromise proposals to open to competition postal services for larger items - and eventually to "junk" mail and incoming cross-border mail.

Postal liberalisation has been under discussion since the early 1990s, but was given a new impetus when the European Commission published proposals late last year. Ministers failed to agree a common position on a plan, recently revised by Italy, holder of the EU presidency, when anti-liberalisation states such as France and Belgium said it went too far.

The area of disagreement was to what extent the postal market should be protected from competition in order to guarantee universal postal services for standard letters across the EU.

*Neil Buckley, Luxembourg*

ECONOMIC WATCH

## French trade surplus declines

Ths impressive rate of growth in the French trade surplus appears to be running out of steam. Official figures released yesterday show that, in the first four months of the year, the surplus reached FFr33.23bn ($6.4bn) - still a creditsble performance, but down from the FFr36.42bn recorded in the corresponding period of 1995.

Figures for April were affected by a comparatively weak performance from exports, which fell to FFr116.7bn from FFr125.7bn in March. Imports also fell - from FFr113.7bn in March to FFr112.9bn in April - but the net effect produced an April surplus of a relatively modest FFr3.82bn, versus the exceptionally high figure of FFr11.94bn recorded in March. This was inflated by a number of exceptional items. Mad cow disease impinged on the export figures for the first time, albeit in a modest way, in the form of a 10 per cent - or FFr200m - decline in meat exports.

External growth has acted as a powerful economic motor for France in recent years: the first half 1995 trade surplus of FFr80bn represented a 62 per cent improvement over 1994 levels. The French finance minister, Mr Jean Arthuis, played down the weaker-than-expected trade surplus, noting an "exceptionally strong" surplus had been recorded in March and that the 12-month average trade surplus remained very strong.

*David Owen, Paris*

**NEWS: EUROPE**

# Winner of Kremlin race faces taxation challenge

By Chrystia Freeland and John Thornhill in Moscow

President Boris Yeltsin's unexpectedly strong re-election campaign has owed much of its success to his message that Russia is being asked to make a crucial choice betwean a return to the Communist past and continuing towards a democratic future.

However, some of the presidant's reformist allies are already warning that the day after the polls Mr Yeltsin will confront an equally vital decision between building a competitive free-market economy or a corrupt one dominated by big business unwilling to pay for basic social services.

In what was once the world'a most hegemonic centrally planned economy, the biggest problem after the polls is likely to be the low level of tax collection.

A central government, which just five years ago decreed how many widgets would be produced every week and when crops across the nation would be sown, has today become unable to collect enough tax revennes to feed its soldiers and pay its pensioners.

"If the government cannot collect taxes then regardless of the outcome of the alections it will face very great problems," said Mr Sergei Aleksashenko, deputy governor of the central bank. Worse still, in contrast with other post-communist economies, in Russia over the past two years rates of tax collection have been falling, rather than rising. They dropped from 11.5 per cent of gross domestic product in 1994 – already only a quarter of western European levels – to less than 9 per cent this year.

**Russia's tax time-bomb**

| | Budget Revenue % of GDP | Budget Expenditure % of GDP |
|---|---|---|
| 1994 | 13.7 | 23.2 |
| 1995 Q1 | 14.1 | 16.2 |
| Q2 | 13.2 | 18.8 |
| Q3 | 14.6 | 16.6 |
| Q4 | 16.3 | 19.7 |
| Year | 14.9 | 17.5 |
| 1996 Q1 | 11.6 | 14.5 |

Source: The Russian-European Centre for Economic policy

**The burden compared**
% of budget revenue

| | Russia | OECD average |
|---|---|---|
| Enterprise profit tax | 25.8 | 7 |
| Individual income tax | 2.1 | 30 |

Sources: Goskomstat, official data, CS First Boston estimates

And, Mr Aleksashenko said, revenues plunged to just 3 per cent of GDP in the first three weeks of this month.

Western economists and Russian officials warn that unless the government can pull out of this tax spiral the country could face a budgetary crisis before the end of the year.

"Revenues in relation to GDP are very low and are falling, when they should be stabilised and rising. The problem will not be eliminated overnight," said a senior western economist. "The expenditure side is not as big a problem."

In spite of the vote-winning clamour of Mr Yeltsin's open-handed campaign-trail promises, the Kremlin has not overstepped the spending limits it agreed with the International Monetary Fund this year. This tough approach has cut inflation to below 2 per cent a month and stabilised the rouble, but it has also stretched government-funded services to a breaking point.

To bridge the budgetary gap, the government has been forced to borrow increasingly from the domestic capital markets. But political uncertainty, limits on foreign participation and a domestic liquidity crunch have driven government borrowing costs to astronomic levels, pushing annualised yields on six-month treasury bills to more than 215 per cent before the first round of presidential voting.

The high price of government debt has, on IMF definitions, temporarily pushed the budget deficit nearly 30 per cent above targets agreed with the Fund earlier this year.

However, this problem could be solved later this year: Treasury bill yields, which have already tumbled since Mr Yeltsin's narrow lead in the first round of voting, are likely to fall much further if Russia acts on its pledge to throw the market open to non-residents by the end of the year.

A strong inflow of foreign cash into tha Russian bond market is part of a benign cycle many investors are betting will begin to unfold if Mr Yeltsin wins. But this in itself could complicate exchange rate policy. Currently, the central bank has pledged to keep the rouble within a corridor of Rbs4,900-Rbs5,600 to the dollar. However, a big influx of hard currency could strain the top end of this band, forcing the government to choose between allowing the rouble to appreciate and increasing the competitive pressures on manufacturers or keeping it stabla and facing a rise in domestic prices.

# Russia's armed tax police go 50-50 with treasury

**Medieval Russian princes kept their purses fat through a system of tax collection they called *kormlenie* or feeding. Under the rules of *kormlenie* tax agents had the right to exact as much extra booty from the sovereign's unlucky subjects as they could, so long as they first gave the Kremlin its cut, write John Thornhill and Chrystia Freeland.**

**In its desperation to revive anaemic tax revenues, Moscow this week re-introduced a modern version of this ancient practice. According to a new presidential decree, the tax police, Russia's gun-toting, flak-jacket-wearing tax collectors of the last resort, now have the right to 50 per cent of any taxes they bring into the treasury through their investigations.**

**Lieutenant-General Boris Dobrushkin, head of the Moscow city tax police, hopes the new system will help his agency overcome the severe budgetary squeeze which is threatening to suffocate all branches of the Russian government.**

**"We have been receiving so little funding that sometimes we've had our telephones cut off," Gen Dobrushkin said.**

**But some businesses fear the new regime will only make an unpredictable and contradictory tax system even more onerous and will increase the burden on law-abiding tax payers, while allowing Russia's largest companies to enjoy special government exemptions.**

**The tax authorities estimate 60 per cent of tax arrears are owed by just 1,000 large companies. Because of their political lobbying power, many of these enterprises regularly receive government forgiveness for the accumulated debt and much of the private sector goes unrecorded.**

**That makes foreign companies and joint ventures, which tend to have more transparent financial accounts and are more obliging in paying taxes, an attractive target for the tax man.**

**This unpredictable tax regime acts as a severe deterrent to foreign investors, but most economists say it is unlikely to change soon. With their new 50 per cent cut, the tax police can't wait to be the treasury's enforcers.**

Armed tax collectors can now take their cut of revenue to pay their department's running costs

## Klaus trades cabinet seats to set up minority government

# Czech PM signs coalition pact

By Vincent Boland in Prague

Mr Václav Klaus, the Czech prime minister, signed a coalition agreement yesterday with two small centre-right parties, clearing the way for talks with the opposition on securing support for a new minority government.

The agreement came nearly a month after a general election in which the government led by Mr Klaus lost its parliamentary majority. It reunites the prime minister's Civic Democratic party (ODS), the Christian Democrats (KDU) and the Civic Democratic Alliance (ODA), the coalition that governed for the past four years and introduced sweeping economic reforms.

Mr Klaus said the agreement would allow the coalition to continue "in the next months and years", but before it can form a government it must secure the support of the main opposition Social Democrats (CSSD) for its governing programme and for its continued survival in office.

Talks on getting support are expected to last several weeks. The CSSD saw its share of the vote surge in the election on May 31 and June 1 and is now the dominant opposition party, while the coalition has 99 of parliament's 200 seats.

The key to the success of those talks will be the distribution of important posts in parliament. Mr Miloš Zeman, the CSSD leader, last night won coalition support for his successful attempt to be parliamentary chairman.

The coalition agreement was never in doubt, but it was secured only after the ODS made substantial concessions. The party completely dominated the outgoing cabinet, but this time will take only eight of a proposed 16 cabinet posts, with the KDU and ODA taking four each.

However, the ODS will retain most of the key portfolios, including finance, foreign affairs and interior.

The privatisation and economy ministries are being abolished, while a new ministry for regional development will be entrusted to the KDU, which will retain defence and agriculture. The ODA is to retain the industry portfolio and gets justice and environment.

# Kiev dispute enters new phase

By Matthew Kaminski in Kiev

Ukraine's parliament yesterday speeded up its consideration of a controversial new constitution after President Leonid Kuchma threatened to bypass hostile deputies by holding a referendum.

The parliament, whose large Socialist and Communist factions had blunted attempts to pass the president's draft constitution, went into special session last night to consider the contentious clauses that have held up passage for months.

Mr Kuchma took a political gamble on Wednesday night by calling a referendum for September 25 on his version of the constitution. But the president appeared ready to withdraw his threat were parliament to pass a draft that keeps a strong presidential system and guarantees private property.

The constitutional battle has raged for months, while the lack of clarity over the division of powers has paralysed decision-making and brought the president into frequent conflict with the parliament. Ukraine is the only ex-Soviet republic without a constitution.

Mr Dmytro Tabachnyk, presidential chief of staff, said "delays in adopting the new constitution would create a real threat to the country's internal stability and to democratic change". The draft under discussion last night would give the president power to name cabinet members and control local government from the legislative to the executive branch.

Mr Oleksander Moroz, parliamentary speaker, has opposed dilution of the chamber's powers, as occurred in Russia in 1993. The large Communist faction dislikes a clause permitting the free sale of land.

But opinion polls show that Mr Kuchma is more popular than the parliament.

Last year, he forced parliament's hand to agree a temporary "mini-constitution" by also threatening a public vote that his political opponents in parliament appeared destined to lose.

At the same time, a referendum today would carry serious dangers for the president.

It could destabilise Ukraine by giving voice to the public discontent about the economy. Regional tensions also would be exposed in any poll, particularly in the predominantly-Russian Crimean peninsula.

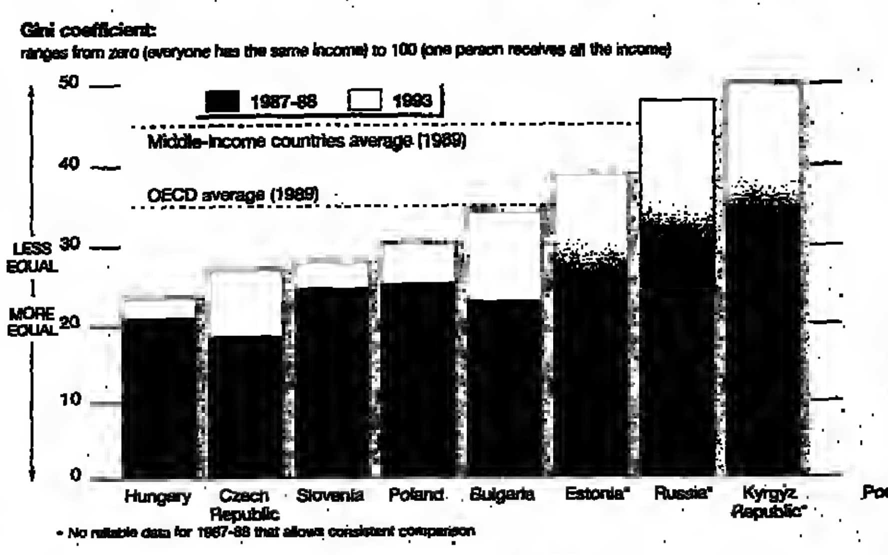
In addition, Mr Kuchma risks alienating his allies in parliament, who might not be ready to support the president should he raise the political stakes by trying to circumvent the parliamentary system.

## WORLD BANK ANNUAL DEVELOPMENT REPORT: ECONOMIES IN TRANSITION

# Growth alone cannot ease pain of transition

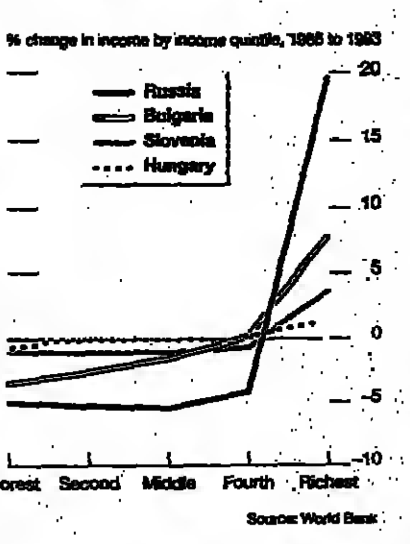
### THE LOSERS

**Inequality in transition economies rises towards western levels . . .**




* No reliable data for 1987-88 that allows consistent comparison

**. . . and the richest become richer**




Source: World Bank

Market-led economic growth coupled with measures to improve labour mobility and care for the elderly is the only way to help those who have lost out from economic change in the formerly centrally planned communist states.

The World Bank's annual World Development Report, based on a study of 28 countries in central and eastern Europe (CEE), the newly independent states (NIS) of the former Soviet Union, and China and Vietnam, concludes that the most effective way for countries to solve the social problems of transition is to foster economic growth by continuing to pursue more liberal pro-market policies. These include privatisation, lower public spending and integration into the world economy.

"The key to containing and reducing poverty, therefore, is resumed growth," the report concludes. Poverty levels have stabilised wbeo growth has resumed – for example in Poland – and poverty has declined sharply where growth was rapid and broad-based, as in east Asia.

By contrast, output is still falling and poverty is rising in some late reforming countries and among some in CEE and the NIS which opted for more gradual adjustment.

But economic growth is not the complete solution, the report argues. Market forces have not always brought about the desired results and growth must, therefore, be complemented by measures to boost labour mobility and by social protection for those people – children, the elderly, those with outdated skills – "left behind after labour markets have become more flexible".

"An important lesson of reform to date, both economic and political, is that market forces alone cannot always drive the restructuring process forward," the report said.

A better system of income transfers, anch as unemployment benefit, is needed in the labour market, not only to reduce poverty bnt to encourage people to move from job to joh without fearing periods of unemployment.

"Otherwiae lahour will remain immobile, raising the costs of transition by creating pockets of poverty in declining regions, and by pressuring enterprises and governments to defer necessary restructuring," the report said.

Similarly, housing market reform, which would enable people to buy and sell properties more easily, would also improve labour mobility.

Meanwhile, a better system of pensions is needed to protect the elderly who have heen among those hit hardest by transition.

Tha study found that many people in CEE and NIS had gained from reform as imports of high quality consumer goods hava boomed. But inequality had risen and those with the least income had been pushed into poverty.

Life expectancy had fallen, particularly in Russia – where male life expectancy fell from 64 in 1990 to 58 in 1994 – and Ukraine. But it had risen in countries which were among the earliest and fastest reformers, such as Poland, Hungary and the Czech Republic.

The report blames stress and the decline in quality of medical care for the deterioration. But it says lifestyle changes such as excessive alcohol consumption, smoking and a more unhealthy diet, are also responsible.

The NIS has seen some of the higgest rises in poverty, along with the Balkan countries, excluding Slovenia. The Visegrad countries, apart from Poland, experienced some of the smallest rises in poverty.

In Russia, where the wealthiest 25 per cent of the population in 1993 received 20 percentage points more of total income than the top quarter did in 1988, the big winners from reform have been those employed in energy and banking. Agricultural workers have been the higgest losers, followed by workers in culture, education and health.

Women have suffered more than men in most of the transition economies. They have tended to drop out of the labour force because of an increased domestic workload, while unemployment has risen among women still looking for work.

The report concludes that inequality is, up to a point, a necessary part of transition since differences in wages create incentives for efficiency.

But even though inequality has risen, in many countries it is now no worse than inequality levels in western market economies such as the US.

It concludes that the relief of extreme poverty, while satisfying social justice, will also support long-term growth since reform may not be sustainable if large parts of the population feel that transition has left them behind.

*From Plan to Market: World Bank Development Report, 1996. The World Bank, 1818 H Street, N. W., Washington, D.C. 20433, U S A*

**Graham Bowley**

# High level of bribes harms pace of growth

### CORRUPTION

Rampant corruption has emerged in many transition countries and is undermining support for governments and for reform, according to the World Bank development report.

Corruption is a big concern in China and most businesses in Lithuania, Russia and Ukraine acknowledge paying fees to officials as well as to organised crime.

The bribes are large by international standards, says the World Bank, and in Ukraine, for example, can represent up to two months' gross sales per year.

Some officials have used their positions to give special privileges to private businesses, in which they have personal stakes.

"In many transition economies the public's perception of widespread corruption – including the misappropriation of public property – is undermining support for government and reform," says the report.

According to the World Bank the low official pay of public servants makes corruption particularly enticing and in some countries "now represents the main incentive to remain in public service."

There is the danger that transition economies may experience an extensive period of pervasive corruption, warns the report.

Analysis by the World Bank suggests that there is a "significant" association between corruption and both lower private investment and slower economic growth.

"Bribes may help businesses avoid burdensome regulations, but they also create incentives to make regulation even more complex and costly.

"Officials may block further reforms to entrench their power and maintain their illicit income. State managers may realise that they can purchase or divert enterprise assets cheaply, if they delay privatisation and make their companies underperform.

"Corruption can divert resources away from vital areas such as education, where the potential for bribes is smaller. It also undercuts governments' ability to enforce legitimate regulations and collect revenues as activities shift into the shadow economy in order to avoid government altogether."

While the state retains enormous power in the shape of enterprises, properties and natural resources, as well as regulatory power, "uncertain rules, heavy regulation and pervasive controls give officials exceptional power, many opportunities to seek bribes, and wide scope for appropriating public wealth," says the report.

Corruption is often interwoven with organised crime, which has increased dramatically in recent years.

Intensified by lucrative drug trafficking in much of central and east Europe and the former Soviet Union and by unclear property rights. The region is on the drugs route between poppy-growing regions in south Asia, particularly Afghanistan, and markets in western Europe.

Russia's mafia is not a single organisation but a collection of 3,000 to 4,000 groups employing more than 25,000 people, says the report. Several hundred of these groups now span the countries of the former Soviet Union and central and east Europe and sometimes reach into the west.

The World Bank says that some of the mafia groups fill market gaps created by inadequate government institutions. They provide security services for new private businesses or help enforce contracts, for example by collecting debts for banks, a significant number of which maintain close links with organised crime.

The value of such "services" is dwarfed by the sums these powerful criminal groups extort from private businesses, however.

"Criminals force loans out of banks, demand protection money from new firms and counterfeit and launder money. By sharply raising costs and risks, crime and corruption have a serious impact on business and economic growth, as well as on people directly."

What cannot be seen, says the report, are the investments forgone for fear of extortion and the legitimate businesses that have failed because they could not compete with mafia-run enterprises.

**Kevin Done**

World's fastest growing major economy cannot afford complacency

# China leads the pack - so far

### THE WINNERS

China is leading the pack among countries engaged in an often painful transition from a centrally planned to a market economy, but it will need to display exceptional determination in the next phase to complete the transformation, the World Bank has concluded.

"Apart from small, diamond-rich Botswana, China has been the fastest growing economy in the world since market reform began in 1978," said the bank, which attributes China's initial success partly to reforms which unleashed a repressed rural economy, and also to a relatively small state sector.

Mr James Wolfensohn, World Bank president, said the report, *From Plan to Market*, "drives home the utter necessity of both liberalising economies through trade and openness to new markets, and stabilising them through reduced inflation and fiscal discipline – and then sticking to these policies consistently."

"Partial liberalisation and the development of a non-state sector (in China), which created almost 100m new jobs between 1978 and 1994, sparked rapid productivity gains without imposing sharp adjustments on state industries," said the report.

"As a result, rising incomes from the first wave of reforms were able to build momentum for further, more difficult changes in a self-reinforcing process. Adjustment in Russia, in contrast, has involved painful reductions to an overbuilt state sector that was previously sustained by large cross-subsidies, especially from the energy sector."

The report also singled out as an important factor in China's success its strong economic growth and effective macro economic management, which had in turn encouraged high savings rates from initially low levels of monetisation. The Russian economy, on the other hand, was already highly monetised in 1990, with a large "money overhang" representing resources that had already been supplied to the planned economy. This overhang caused high inflation when prices were freed, eroding confidence in financial savings.

But the bank said in spite of China's initial success it could not afford to be complacent. Reforms in the the next stage would be "more complex and difficult". These would require restructuring the core of the state sector and institutional underpinnings of the economy.

"Maintaining growth while reducing inequalities, especially between urban and rural populations, is a central goal, both to rise above poverty and to sustain support for reform," the study said. "This requires allocating savings more efficiently and, in parallel, developing better tools of macroeconomic management."

The bank also identified as priorities continued fiscal reform, including re-centralisation of the budget to overcome glaring weaknesses in central revenues; improving the banking system to deal with problems that will emerge as banks become more commercial; and clearly defining the role and scope of the state sector to assist in reducing its size.

The bank study said there was no more important task during economic transition than clarifying the ownership issue. In Russia and central and eastern European economies unclear property rights had led managers to appropriate assets or the income streams they generate.

**Russia and China: very different countries**

| Sectoral structure of employment (% of total) | Russia 1990 | Russia 1994 | China 1978 | China 1994 |
|---|---|---|---|---|
| Industry | [illegible] | [illegible] | [illegible] | [illegible] |
| Agriculture | 13 | 15 | 71 | 58 |
| Services | [illegible] | [illegible] | [illegible] | [illegible] |
| Total | 100 | 100 | 100 | 100 |
| Employment in the state sector | [illegible] | [illegible] | [illegible] | [illegible] |
| **Money and output** | | | | |
| M2 as % of GDP | 100 | 16 | 25 | 89 |
| GDP per capita ($) From World Bank Atlas | [illegible] | [illegible] | [illegible] | [illegible] |
| GDP per capita ($) at PPP | 6,440 | 4,610 | 1,000[2,3] | 2,510 |

1. Data are averages of quarterly ratios. 2. In 1990 dollars 3. World Bank staff estimate
Source: IMF various years (2): World Bank data and staff estimates.

China had so far prevented "egregious asset stripping", although some diversion of assets had taken place. The report warned, however, that an ownership vacuum was not in the interests of economic restructuring.

"It can create or prolong macroeconomic problems, because it gives enterprise managers strong incentives to show poor financial performance – allowing them to snap up the firm or additional shares at bargain prices."

"One of the strongest messages to emerge from transition to date is that governments that enforce financial discipline and foster competition will stimulate restructuring in enterprises regardless of who owns them," the report said. "But ownership change – preferably to private ownership – in a large share of the economy is also important."

**Tony Walker**

# Bigger role for governments will be in fashion next year

The revitalisatioo of the state to make the long-term development of the global economy more effective is the main theme of next year's World Bank development report. A draft outline of the report indicates a shift in thinking at the World Bank over the role of government in economic policy making.

The documeot says that "an effective – oot a larger – state is needed to create the institutional infrastructure for markets to flourish".

### 1997's THEME

The World Bank believes that "the great (aod fatsa) debate between state and market for now seems to be over. Fiscal crises, the inflexibility of planning and the problems of public enterprises have shown the limits of the state".

But it adds: "the key objective is to show that the state and market are institutionally intertwined" and one must not dominate the other.

The draft says the examples of Chile, Sonth Korea, Japan, Taiwan and Mauritius show how "activist government "can add value" to the market often with a catalytic role.

It admits that markets "do not always produce the most desirable outcomes – particularly in their lack of consideration for future generations and inability to lead automatically to equitable outcomes".

"Too mnch inequality destroys the shared goals of society and threatens the market-based development strategy." The draft says that east Asia's success is due to its "low initial inequality and on a growth path that lowered inequality further. A significant role for the state in the 21st century will be in providing a framework under which the trade-off between market-based growth and escalating environmental problems are resolved."

The report says popular dissatisfaction with the state is reflected with the demands for "more accountable and responsive institutions." It calls for "good governments", which it says concerns "creating an environment for the positive interplay between state, private and civil society institutions". The report says it wants to restore the state's capacity to represent the public interest.

It also wants to see the development of a "more agile state" as globalisation is "making governments generally more responsive and less capricious in their economic actions. This will require "more disciplined government" and a greater diversion between states in their taxation, regulations, investment codes and accounting standards. "Competition for investment and jobs accelerates the shift towards better government discipline and business orientation."

The report intends to look at how the state's interaction with the market and its own citizens can "best be improved to achieve more sustainable economic development." This – it believes – can be achieved through greater decentralisation, delegation and participation, "bringing the state closer to the people".

**Robert Taylor**

# Boutros Ghali fights to keep his UN post

By Bruce Clark, Anthony McDermott and Michael Littlejohns

Mr Boutros Boutros Ghali is fighting a rearguard action to retain bis post as United Nations secretary-general in the face of US opposition.

If he sticks to his guns, the row over his job could cast a shadow over international diplomacy for months to come, pitting the US against the developing world, and raising awkward questions about the balance of global power.

Already, the issue of the secretary-general's future is complicating the summit of the Group of Seven leading industrial nations which began in Lyons last night. Though he does not usually attend G7 meetings, Mr Boutros Ghali is an important guest at Lyons, where UN reform is high on the agenda.

Russia, whose prime minister Victor Chernomyrdin arrives in Lyons today, has spoken approvingly of the secretary-general, as have most other ex-Soviet republics.

Choppier seas could lie ahead if China, Africa and other Third World nations come to the defence of the 73-year-old incumbent who insists he needs several more years to push through changes.

Mr Boutros Ghali is hoping for a clear endorsement at the forthcoming summit of the Organisation for African Unity – where the refusal of a second term for the UN's first African boss could be seen as a snub. But Washington will also lobby hard to convince Africans of the need for change.

Beijing this week described Mr Boutros Ghali as an old friend of China. The Guangming daily, which reflects Communist party thinking, said Washington turned against him because he refused to make the organisation an instrument of US diplomacy.

In fact, the secretary-general has not been unco-operative with the US: he agreed to a budget freeze and blessed the appointment of Mr Joseph Connor, retired chief executive of the accounting firm Price Waterhouse, to cut costs.

But US officials have made no secret of the political reality that underlies their decision: they fear it would be virtually impossible to induce Congress to settle Washington's $1.5bn debt to the UN unless there is a new face at the top.

The news that the US would insist on a change of secretary-general reached Mr Boutros Ghali in Bonn last week. He declared his own candidacy after learning the State Department had told the New York Times of its decision to oppose a fresh mandate.

This followed a meeting between Mr Warren Christopher, US secretary of state, and Mr Boutros Ghali in May – with a large telephone conversation last week – in which the secretary-general rebuffed a US offer of a one-year extension.

For Mr Boutros Ghali, a dream scenario would be deadlock in the Security Council – with China doggedly refusing US nominees – followed by a vote in his favour in the General Assembly.

While the UN Charter calls for the secretary-general to be appointed by the assembly "on the recommendation" of the Security Council, there is a precedent for the larger forum over-riding the smaller one.

In the early 1950s, the US secured a General Assembly vote in favour of an extended mandate for Norway's Trygve Lie, whom the Soviet Union refused to support. But the precedent is not a happy one. Soviet officials refused to have any dealings with Mr Lie after his reappointment by a procedure which they considered improper – and he was eventually forced to step down.

# Algeria signs deal with bank creditors

By Roula Khalaf in London

Algeria and the London Club of bank creditors yesterday signed the $3.2bn rescheduling agreement reached last May with the banks' steering committee.

The committee at the time agreed to extend debt maturing between March 1994 and December 1997 over a period that stretches from 12½ to 16 years, allowing for a grace period of 6½ years, but had to seek approval of all debt holders before signing with Algiers.

The signing in London will allow Algerian debt to trade more freely on the secondary market. The single biggest tranche of the debt reached a low point of less than 30 cents to the dollar in February 1995 but has since climbed back up to nearly 60 cents to the dollar.

Finalisation of the London Club agreement comes at a time when French aid to Algeria is set to be scaled back. According to French foreign ministry officials, direct treasury assistance, which accounts for FF1bn ($193m) of the total FF6bn in yearly aid, will be cut this year. The size of the reduction has yet to be determined, but officials said it would not reach 50 per cent, as had been reported in the French press. Whether the cuts affect the other FF5bn which is in the form of credit guarantees for the purchase of French products, has yet to be decided and is the subject of discussions with Algerian officials.

Although the cuts will be seen as a response to persistent calls for French aid to be used as leverage on the Algerian government caught in a four-year crisis pitting Islamic militants against security forces, French officials said yesterday the cuts were due to financial constraints and fall within the general reduction in foreign aid.

Algeria can continue to count on help from the International Monetary Fund, however. In its second review of a $1.8bn credit facility approved last May, the IMF board on Tuesday was satisfied with the country's economic performance and approved continued drawing of funds. Algeria has met the performance targets set by the Fund, after having failed on two counts in the first review last November. To compensate Algeria for the increase in cereal prices, the IMF also agreed to a $250m financing facility.

IMF officials said Algeria was in line for a small budget surplus in 1996, as projected. The budget deficit fell to 1.4 per cent of gross domestic product in 1995 from 4.4 per cent the previous year.

Foreign exchange reserves, which fell short of IMF set targets in November, had climbed to $2.5bn by the end of May, pushed by higher oil prices.

# World Bank pressed on debt initiative

By Robert Chote, Economics Editor, in Lyons

The Group of Seven leading industrial nations will today urge the World Bank to make a firm commitment of $2bn to a joint initiative which the bank is drawing up with the International Monetary Fund to tackle poor-country debt.

The executive board of the World Bank has already agreed informally to allocate $500m of its net income for the 1996 financial year to the debt initiative, followed by payments of $200m a year thereafter. But officials said yesterday that G7 finance ministers meeting in Lyons were likely to ask for a clearer indication of the total amount the bank was prepared to commit.

Mr James Wolfensohn, World Bank president, will argue that his organisation has already agreed in principle to contribute $1.9bn between now and when the last eligible country is set to graduate from the debt initiative in the year 2003. In net present value terms, the bank estimates that participating in the initiative will cost it $700m-$1.5bn, depending on the contribution of other creditors and the export performance of the eligible countries.

The bank will also urge the G7 to send a clear signal to the Paris Club of bilateral creditor governments that it must increase significantly the 67 per cent relief it offers on eligible poor-country debt under the so-called Naples terms. The object of the initiative is to reduce the debts of up to 20 poor countries to sustainable levels, so the more the Paris Club is prepared to do, the less the multilateral institutions will have to pay.

Officials said France was also likely to pledge a specific sum of money today to the "trust fund" which will be used to finance part of the debt initiative. Paris is expected to use this announcement to put further pressure on the US, which it has criticised for failing to pay contributions to international organisations.

One of the biggest hurdles to agreeing the debt initiative is deciding how the IMF should pay for its contribution, which it has linked to the goal of putting its concessional lending window – the enhanced structural adjustment facility (Esaf) – on a permanent footing.

The IMF proposes selling and reinvesting $2bn of its $40bn gold reserves and using the proceeds for debt relief. US officials said yesterday Japan was now backing "the mobilisation of IMF gold", but Germany remains publicly opposed.

Bonn has argued gold sales set an undesirable precedent and are dangerous at a time when the IMF has been lending heavily to Russia and Mexico. There are also concerns that agreeing gold sales would bolster the opposition Social Democratic party's demand that Bundesbank gold be sold at home to avoid draconian public spending cuts.

# NZ inflation target 'should be eased'

By Terry Hall in Wellington

Forecasts by the New Zealand Reserve Bank yesterday that it would breach its 0-2 per cent inflation target throughout this year have led to growing demands to modify the 1989 Act which put the governor, Mr Don Brash, in charge of monetary policy with the aim of curbing the cost of living.

Critics say that the target is too tough and that the ceiling should be widened to 3 per cent to allow greater flexibility in setting monetary policy.

Mr Rodney Dickens, chief economist of Ord Minett, said recent breaches of the target band had been due to poor forecasting. The Reserve Bank should cease to rely on historic statistical data, which can be three months out of date, but should rely on leading indicators, he added.

The Reserve Bank's statement pushed the New Zealand dollar down, at US$0.68, from US$0.6825, while New Zealand July 1997 bond yields rose 26 basis points to 9.62 per cent, amid concern about sustainability of government policy.

Mr Brash said the bank would vigorously resist any significant easing in monetary policy in the absence of conclusive evidence that inflation would drop sharply over the next two years. Most opposition parties, including Labour, the Alliance and New Zealand First, have said if they are elected this year, they will amend the Reserve Bank Act and widen the target band to revitalise the economy.

A common fear in these parties is that attempts to stick to a narrow target could lead to recession. This follows reports of deteriorating profits from manufacturers, retailers and farmers due to the bank's tight monetary policy. This year has seen a rise of up to 2 percentage points on home mortgages and personal lending, falling house prices, a sharp rise in the value of the New Zealand dollar, and falling employment.

A change of the target was tempting, Mr Brash said. "But the present 0-2 per cent target has served us well. New Zealand has achieved good economic growth with low inflation over the past five years."

Critics believed a slightly wider band would allow monetary policy to be less activist and more beneficial to the economy, he added. "But it is possible there would be no benefit at all if people were led to expect higher inflation or the Reserve Bank to defer reacting to emerging inflationary pressures till these had become embedded."

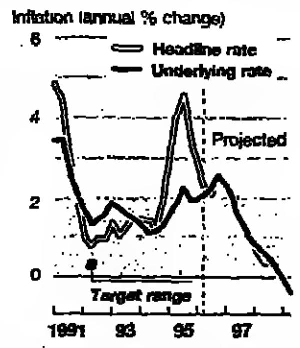
He defended the bank's success in limiting inflation to a peak of 2.6 per cent as the economy re-adjusted to lower growth rates after reaching 6 per cent two years ago. It now looked as if inflation would be greater than 2 per cent for the nine months of April-December. However "disagreeable," it was vital monetary policy actions now were geared to influencing inflationary outcomes beyond this year.

From early next year, quarterly rates of inflation were projected to fall markedly and by the second half of the year to drop to quite low levels. This suggested some easing of monetary conditions would become appropriate next year.

Mr Brash said consumer price indices were still running at high levels. "There is still considerable uncertainty about whether we are witnessing a genuine turnaround in inflationary pressures or just a temporary pause for breath."

New Zealand

Inflation (annual % change)




Source: Reserve Bank of New Zealand

# Pakistan eases tax measures

By Farhan Bokhari in Islamabad

The Pakistani government has sharply softened some of the tough taxatinn measures announced in this month's budget after strong protest from businessmen, professionals and Islamic activists.

The decision taken after talks with the Federation of Pakistan's Chambers of Commerce and Industry was yesterday widely welcomed in business circles.

The government had proposed new taxes of up to Rs40.85bn ($1.17bn) in the budget, to reduce the country's deficit by 1 per cent of the gross domestic product, a move considered vital for continued IMF support.

The budget had originally proposed a sales tax of up to 18 per cent on goods such as carpets, textile products and leather goods, and heavy taxes on the personal allowances of business executives.

The government has now agreed to cut the sales tax to 10 per cent and charge only a nominal tax of 3 per cent on allowances.

This has triggered fresh concerns that the country may not be able to reduce its deficit as planned under its IMF programme, but Mr V.A. Jafarey, the prime minister's adviser on finance, said yesterday the tax changes would not lower revenues.

Other officials said the agreement provided a two-month period for businessmen to prove that lower tax rates would not lead to a shortfall in revenue. It was not clear whether the tax rates would be pushed up again if revenues fell behind target. The chambers of commerce argue that lowering the sales tax would not affect revenue collections, because more businesses would be encouraged to pay rather than evade taxes.

The original budget caused widespread dismay in Pakistan because of fears that prices of essential commodities would rise.

At least three people were killed in a large public protest near Islamabad on Monday against corruption in government and the budgetary meaaures, called by the right wing Jamaat-i-Islami.

Mr Nawaz Sharif, the opposition leader has also called a series of public protests from July 4. The government says tough measures are necessary to stabilise the economy.

# Patten under cross-fire in his last HK year

**John Ridding** reports the governor is in a mood of wary optimism

Mr Chris Patten enters his last year as Hong Kong's last governor in what he describes as a mood of wary optimism.

Wary because of unresolved issues and protracted disputes which loom over the colony's return to Chinese sovereignty and, more seriously, because of doubts that Beijing understands what makes the territory tick.

Against this he cites Hong Kong's resilience, its economic performance and potential, and progress achieved so far in tackling the handover. "We haven't lost too much paint work going round the bends he says," comparing his mission to a bobsleigh run.

But as in a toboggan, neither he nor Hong Kong is in a comfortable position. Confidence remains brittle, while the governor is frequently caught in a cross-fire between democrats who charge him with not doing enough to secure Hong Kong's interests and many others, notably from the business establishment, who are exasperated by his antagonistic relationship with Beijing.

Mrs Margaret Ng, an independent legislator, argued this week that Hong Kong's democratic institutions were "too flimsy" to withstand pressure from China. Amid a row with the business community last month, the territory's main chamber of commerce attacked Mr Patten for failing to accept China's plan to replace the territory's Legislative Council, elected last year under his democratic reforms.

Mr Patten says he has done the most he can within the constraints of the treaties governing the handover. He believes Hong Kong's institutions are strong enough and its public resilient enough to uphold the territory's system, although he stresses their survival would be more difficult if the government's accountability to the legislature was undermined.

The broader problem, he argues is that statements by Chinese officials on issues from press freedom to the role of the civil service have undermined confidence in their understanding of these treaties, which guarantee autonomy for Hong Kong.

Despite pressure from this business community, he gives no sign of budging on the Legco issue, the main threat to a smooth transition. "If I were to make it easier to dismantle the Legislative Council I think it would make Hong Kong pretty ungovernable between now and 1997."

Selection of his successor, the most important decision to be made before the handover, has been delayed from autumn to the year's end. And Mr Patten is eager for progress. "The sooner the better, because then you are dealing with the real future government rather than a surrogate."

As for the risk of being pushed to the sidelines: "It is entirely proper to face up to this as we get closer to June 30. People are going to look more to my successor for a vision of the future and for reassurance," he says.

Even then: Mr Patten pledged: "I will go on asserting the principles on which Hong Kong has based its success. I am not going to be party to trying to chloroform Hong Kong."

This points to a knowledge of difficult bends to come. "I hope I am wrong, but my instinct is that after 1997 I am unlikely to be criticised for having tried to do too much to protect Hong Kong's way of life. Most of the criticism will come from the other side."

Reuter adds from Hong Kong: Mr Patten yesterday said the UK government would soon give Beijing proposals on how Hong Kong should tackle cases of sedition if they arise after the British colony reverts to China in 1997.

Under present Hong Kong laws, sedition is not an offence but after next year's handover it will be outlawed, as set down in the territory's post-1997 constitution.

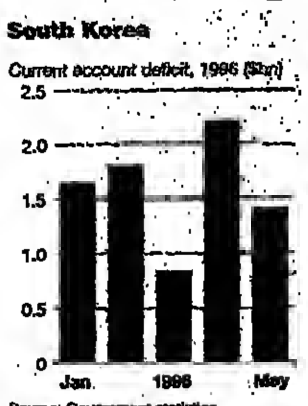
Chinese officials have indicated the sedition law would restrict the media from advocating the independence of Hong Kong or Taiwan.

ASIA-PACIFIC NEWS DIGEST

## S Korean trade deficit grows

South Korea

Current account deficit, 1996 ($bn)




Source: Government statistics

South Korea's current account deficit grew to $8.1bn for the first five months of 1996, offering further evidence that the country could suffer a record deficit for a second consecutive year. The shortfall already surpassed an central bank estimate last month that Korea would have a current account deficit of $7.9bn for 1996 against $8.95bn in 1995. Concerns about the deficit have helped cause the general share index of the Seoul bourse to fall to its lowest level since December 1993 after closing yesterday at 820.05. Officials blamed the widening deficit primarily on a sharp fall in global prices for computer memory chips, the country's largest export item. The price for a 16-megabit memory chip has slumped from $50 at the beginning of the year to $18 in May.

The problem was aggravated by declining prices in other key export product areas, such as petrochemicals, steel and electronics. The deficit could deepen to at least $10bn within the next few months as prices for semiconductors and other exports continue to decline. *John Burton, Seoul*

## Japan's industrial output up 2%

Japan's industrial output increased by 2 per cent from April to May, according to preliminary data from the Ministry of International Trade and Industry (Miti) yesterday. The rise confirms that the economic recovery is on track but not strong enough to tempt the Bank of Japan to raise interest rates at its quarterly meeting of branch managers next week, said economists in Tokyo. Output rose by 3.2 per cent in April.

While less than the 3.4 per cent increase forecast by Miti last month, the rise in output last month was seen as encouraging because it was accompanied by a small decline in the ratio of unsold stocks and materials to sales.

That suggests that any further rise in demand would be met by increased production, rather than sales of inventories, said Mr Brian Pearce, chief economist at SBC Warburg Securities. *William Dawkins, Tokyo*

## ADB to discuss soft loan top-up

The Asian Development Bank is to hold further discussions in Kuala Lumpur in September on replenishing its soft loan fund for poor countries after two-days of talks in Hong Kong this week again ended in an impasse over US insistence on imposing conditions on its lending policies.

The US, which still declines to make good $337m in arrears in contributions from the last replenishment in 1991, continued to insist that the fund should not lend to India or China, countries which it regards as able to borrow for themselves in international capital markets. It also wants to shorten maturities on fund loans so that more new lending can be financed from repayment of existing loans.

Participants said the US stand in Hong Kong, which it justifies on grounds of budgetary contraints on foreign aid spending, was somewhat harder than it has been in the past. But no one had expected the issue to be resolved before the US presidential election in November. *Peter Montagnon, London*

## Malaysian dam may be halted

A Malaysian court will next month hear an application for an injunction which, if successful, would halt preparatory work on the $5.5bn Bakun hydroelectric dam in the jungles of Borneo. The injunction is sought by three tribal residents of the affected area. The petition follows a court ruling earlier this month which found the project violated environmental laws. But the ruling failed to stop Ekran, the Malaysian company managing the project, from continuing with logging and other preparatory work. *James Kynge, Singapore*

Commission has the right to investigate the link between BA and American Airlines, says Kinnock

# EU still undecided on airline alliance

By Michael Skapinker, Aerospace Correspondent

The European Commission has the right to investigate the alliance between British Airways and American Airlines but is still some way from deciding to do so, Mr Neil Kinnock, transport commissioner, said in London yesterday.

The Commission had the right under Article 89 of the Treaty of Rome to investigate the alliance in co-operation with the UK competition authorities, Mr Kinnock added.

But "we're not even at the stage of giving consideration to that," he said. "All we can do is examine the implications and report accordingly to the Commission."

Mr Kinnock was supported by a spokeswoman for Mr Karel Van Miert, competition commissioner, who said: "It's not yet at the stage where we know where we stand."

The alliance between the two airlines, announced earlier this month, is already the subject of an investigation by the UK Office of Fair Trading. The OFT said the alliance amounted to a merger under UK fair trading legislation, even though the two companies are not exchanging equity.

Under UK law, a merger is deemed to have occurred where two organisations' operations become indistinct. The OFT said last week it did not believe the alliance fell foul of EU merger regulations.

The two carriers will control 60 per cent of flights between the UK and the US and 70 per cent of traffic between London and New York. The airlines will put joint flight codes on their UK-US flights and share the revenues from their transatlantic operations.

Mr Kinnock said the Commission's new mandate to negotiate with the US on aviation rights would not involve unravelling existing bilateral agreements. The Commission would act where it thought it could provide "value added".

He said examples of where the Commission thought it could obtain more than individual states had done were on ownership of US airlines and the right to fly domestically in the US. European airlines are not permitted to own more than 25 per cent of US carriers, even though US airlines are permitted to own up to 49 per cent of EU carriers. Mr Kinnock said the Commission could try to get the cap on ownership in the US lifted.

The Commission could also address the unfairness of US carriers receiving some rights under "open skies" agreements to fly between EU cities while European airlines did not have the right to fly within the US, which is called "cabotage". "If they are going to exercise cabotage in our internal market, we want something comparable in their market," he said.

The Commission received its mandate to negotiate with the US earlier this month, with only the UK opposed. Mr Kinnock said a committee of experts from member states would advise the Commission.

The Commission's mandate is in two stages. It will first negotiate on issues such as airline ownership, state aids, code-sharing and computerised reservation systems. Subject to approval from member states, the Commission will then begin negotiating on what destinations airlines can fly to.

Kinnock: 'accords stand'

# Slack Chinese demand hits chemical prices

By Jenny Luesby

A brief recovery in Chinese demand for plastics following last year's halt in buying has stalled, according to Mr Walter Tusinski, chief financial officer of Arco, the chemicals subsidiary of Atlantic Richfield.

Arco, which has close links with Asia, is the latest company to highlight sluggish Chinese demand as the cause of a sharp fall in key Asian chemical prices in the last seven weeks.

Asian import contract prices for styrene are now back at a two-year low, after recovering by 25 per cent in the first quarter. Similarly, Asian spot prices for propylene have fallen by 25 per cent since April 9.

These two chemicals are the main raw materials for plastics such as polystyrene, ABS and polypropylene, used to make toys, electronic equipment and car parts.

China is the world's largest buyer of these plastics, with its polypropylene imports accounting for 9 per cent of world production and polystyrene imports accounting for 7 per cent.

Most of its imports are produced in Taiwan, Japan, South Korea, the US and Hong Kong. But the effect of a decline in the Asian chemicals market is felt everywhere.

Last year, Asian plastics producers were forced to cut output sharply – from full capacity to operating rates as low as 20 per cent or even temporary closure. At the same time, Asian plastic and petrochemical prices halved.

This contributed to a sharp reduction in European and American prices, as chemicals normally sold in Asia were redirected to more buoyant markets.

There was also a psychological effect. The prices of chemical industry contracts are renegotiated on a monthly or quarterly basis and buyers are unwilling to pay as much in Europe and America when prices are falling in Asia.

In recent weeks, the European prices for some chemicals have been protected from this knock-on effect by temporary and unrelated plant closures in Germany, the UK and France.

But in the paraxylene market, one key buyer is citing falling Asian prices as the reason for its refusal to accept the outcome of the third quarter European price negotiations.

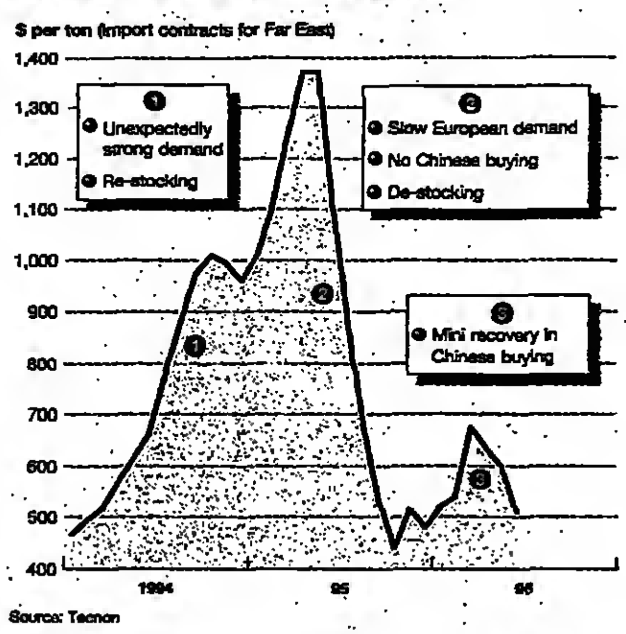
However, while the decline in the Asian market is apparent, there is contradictory evidence on the role of Chinese demand. Chinese import statistics suggest that the country's imports of both ABS and polystyrene have been steady, and even rising.

Arco's link with Asia is as an important supplier of raw material to the region's largest producer of ABS, Chi Mei.

Arco produces 2.2m tonnes a year of styrene as a by-product of its main chemical, polypropylene glycol. It sells a significant part of this output directly to Chi Mei.

The Taiwanese company, which claims to sell much of its output to China, was one of the companies that last year reported a very sharp fall in its operating rates.

**Styrene: back at a two-year low**





Source: Tecnon

# GKN car parts unit for Poland

By John Griffiths in London

GKN, the UK components and engineering group, is setting up a new company and production facilities in Poland to supply car driveline components to the country's rapidly expanding motor industry.

The $30m project to produce constant velocity joints (CVJs) and driveshafts, core components of front-wheel-drive systems, includes taking over similar operations at present owned by Fiat, Poland's largest single car maker.

The project is important to GKN. Fiat Auto Poland's production rose to 278,000 units last year and is poised for further substantial growth. Fiat recently announced it would also produce its new world car, the Palio, in Poland within the next two to three years as part of the renewal of its entire Polish product range.

Also this week, General Motors' Opel division announced an agreement with the Polish government to build a 70,000 cars a year facility. Total passenger car production in Poland in 1995 was 364,000 vehicles and DRI/McGraw-Hill has forecast that by the year 2000, passenger car output will have risen to 550,000 units.

GKN's ambition with its new subsidiary, GKN Automotive Polska, is to supply most of the Polish vehicles industry where front-wheel-drive is involved. It will shortly acquire Fiat's existing CVJ production equipment and transfer it from its present location in Bielsko Biala to another Fiat facility near Wroclaw which GKN will rent while its own new factory is built nearby. Completion of the planned transaction is subject to formal approval by the Polish authorities.

Fiat's outsourcing of CVJ production is a further reflection of Fiat's strategy of concentrating on the design, development and assembly of vehicles, and of sourcing major components from established suppliers. The deal is the second of its type with Fiat. GKN is already investing $75m in an Italian venture which has taken over from Fiat production of CVJs for Fiat's main assembly lines in Italy.

GKN is the leading supplier of constant velocity joints and driveshafts worldwide; in 1995 it supplied over 35 per cent of the market from its facilities in the UK, Germany, France, Spain, Italy, the US and India, as well as from plants of its 10 associated companies.

# Honda assembly line for Turkey

By John Barham in Ankara

Honda of Japan has announced it will build a $50m assembly line in Turkey in a joint venture with Anadolu Endüstri, a diversified local industrial group.

The new factory, to be built outside Istanbul, is to produce 30,000 Civic sedans a year.

Mr Metin Ecevit, chairman of Anadolu Honda Otomobilcilik, the company set up to handle the project, said total investment would be $300m. But the initial investment for phase one "will be $50m".

Production would start in the autumn of 1997, he added. Engines will be sourced from Honda factories in the UK or in Japan, which will supply about two-thirds of the car's components. Local content will gradually rise to 50 per cent.

Honda is the latest Asian car company to announce investments in Turkey. Toyota set up a new plant in 1994. Japan's Mazda and Hyundai of South Korea have said they will also build assembly lines in Turkey soon. Turkey's existing car makers, Renault and an affiliate of Fiat, are also increasing investments as the once-closed car market is opened up to foreign competition.

However, Mr Ecevit denied that the surge of investment could lead to over-capacity. "We believe in the market's potential. We consider that by the year 2000, about 600,000 cars a year will be sold in the country," be declared.

Car sales rose to 80,962 in the first five months of 1996 from 73,208 in the same period last year. Sales of Turkish-made car fell 4.2 per cent but sales of imported models trebled to 15,478.

Honda estimates that total Turkish capacity could rise to 800,000 units a year from about 530,000 units a year now, if all investment plans are implemented.

However, rising exports should more than absorb additional capacity. At present, the only company to export in large volumes is Tofas, Turkey's biggest car company that is part-owned by Fiat.

Demand for low to medium-priced cars was likely to remain strong in Turkey, Mr Ecevit added. Tofas and Renault dominate the market with unsophisticated but relatively expensive locally made cars.

Mr Ecevit said Honda's Civics "will sell for about $14,000 each. People will be ready to pay a little bit extra for a better car."

# Feasibility study under way for $1.2bn Vietnam iron ore project

By Jeremy Grant in Hanoi

Work has started on a joint feasibility study for a $1.2bn iron ore mining project in central Vietnam involving Fried. Krupp, the German steel group, Mitsubishi of Japan, Geocor, the South African mining house, and Vietnam's national steel corporation.

Once finalised, it would be one of Vietnam's largest foreign-invested projects and could form the basis for developing the country's steel industry.

State-run Vietnam Steel Corporation (VSC) is preparing access to the site, a remote stretch of land 300km south of Hanoi at Thach Khe on the Vietnamese coast, thought to contain reserves at 540m tonnes of ore.

Commercial viability will not be established until the study is finished in two years' time, Mr Arno Tomowski, Krupp's Vietnam representative, said. "The joint venture will be formed as soon as the feasibility study indicates it's a workable deposit."

Domestic steel production last year was 350,000 tonnes, up from 200,000 in 1992 but Vietnam still imports large amounts to keep pace with demand, despite rising output at six recently established foreign-venture steel mills. The official daily Vietnam News said yesterday VSC had launched a programme to upgrade its steel mills in an attempt to make Vietnam self-sufficient in steel by 2010, with an ambitious annual production target of 7.5m tonnes.

The Thach Khe deposit, in Ha Tinh province, was discovered by Soviet and Vietnamese geologists in the late 1970s and was supposed to have provided the raw material for developing Vietnam's centrally planned steel industry. But chronic cash shortages meant the site was never exploited.

Half the cost of the feasibility study is being financed by the German government, with the rest contributed by the four partners.

Before the deposit can be commercially developed, Hanoi would have to clarify how much ore would be used for domestic purposes and how much could be exported. "That's still unclear," Mr Tomowski said.

The government would also have to offer the foreign investors guarantees that the non-convertible, local currency revenues they would receive for selling the ore domestically could be switched freely into hard currency. Such guarantees are extremely difficult to secure for foreign projects in Vietnam.

Industry experts said the group might be able to get some guarantees from the government, given the project's size and the fact it had been deemed strategically important by Mr Vo Van Kiet, Vietnam's prime minister.

## WORLD TRADE NEWS DIGEST

# Canadians bid for Nato deal

A Canadian-led consortium of aerospace companies has joined the Canadian military in an innovative bid for a portion of Nato's pilot training programme. The consortium is led by Bombardier, the Montreal-based aircraft and rail equipment manufacturer. It includes British Aerospace, which would supply its Hawk-100 fighter-trainer, and Toronto-based CAE Electronics, the world's biggest maker of flight simulators.

Most Nato pilot training is at present at a US base in Texas. But the base does not have capacity to meet projected demand after the end of the decade, and some countries have expressed reservations about the suitability of its training programmes.

Nato has called for bids to train up to 360 pilots a year. Australia and possibly some other countries are also expected to submit proposals. Under the Canadian proposal, participating air forces would pay the private suppliers for aircraft maintenance and classroom instruction. Canadian and Nato air force pilots would provide flying instruction at bases in Alberta and Saskatchewan. *Bernard Simon, Toronto*

### Taiwan gears for competition

Taiwan's state oil monopoly, Chinese Petroleum Corporation (CPC), is gearing up to compete with private sector companies once the country's oil industry is fully liberalised at the end of the decade. Formosa Plastics, the petrochemical concern, will be CPC's chief rival, and shares in the group's listed companies rose yesterday on expectations that liberalisation will benefit it. Formosa Plastics is building a $9bn petrochemical complex in the southern county of Yunlin, due to begin production in 1999.

Taiwan's Energy Commission recently announced private oil imports would be allowed as part of a broad liberalisation of the local oil industry. But the measure will not become effective until Formosa Plastics' new plant starts running, as regulations restrict companies from importing more than half their production needs. *Laura Tyson, Taipei*

### C&W telecom move tests US

Cable and Wireless, the UK based international telecoms operator, has asked the US for permission to land a new transatlantic telecoms system on the US eastern seabord. The request is seen as a test of US willingness to allow overseas carriers to compete in its market.

The US offer in the recently suspended World Trade Organisation talks on telecoms liberalisation centred on a willingness to open up the US market. The filing will give the US authorities the opportunity to show their willingness to allow non-US carriers into their markets in response to the UK government's recently announced proposals granting increased access for foreign carriers to the UK market. *Alan Cane, London*

### Kantor joins Indonesia car row

Mr Mickey Kantor, the US commerce secretary, pictured above, yesterday described Indonesia's controversial national car policy as "inconsistent with Indonesia's commitments to the World Trade Organisation". Mr Kantor, who is in Jakarta leading a US trade mission, said the US was "concerned" about Indonesia's national car policy, which gives a company controlled by President Suharto's youngest son special tax and tariff breaks to make a national car in a joint venture with South Korea's Kia Motors.

Mr Kantor has raised the issue with President Suharto and government ministers. He said the US and Indonesia had agreed to work together to make the car policy "consistent with the principles" of the WTO. *Manuela Saragosa, Jakarta*

### Steag invests in Colombia

Steag, Germany's biggest operator of coal-fired power stations, yesterday made its first foray abroad, saying it would invest $200m to build a bituminous coal-fired power station in Colombia. Mr Jochen Melchior, chief executive, said the investment was likely to be the first of several outside Germany as prospects for new business in the German power station market recede.

The Essen-based group, which is a subsidiary of Ruhrkohle, the company operating most of Germany's coalmines, is providing $60m itself and has loans of $140m from the Kreditanstalt für Wiederaufbau and Banco Central Hispano. *Michael Lindemann, Bonn*

### Oman to discuss WTO entry

The World Trade Organisation has established a working party to negotiate terms of entry for Oman, last of the six Gulf Co-operation Council states to apply to join. Bahrain, Kuwait, Qatar and the United Arab Emirates are already members. Saudi Arabia is hoping for entry next year. The WTO general council has also granted observer status to the former Soviet state of Georgia. *Frances Williams, Geneva*

■ Aveling Barford, the UK construction equipment maker, will market its trucks in Japan through Shin Caterpillar-Mitsubishi. The three-year $23m supply deal will be signed today. *Emiko Terazono, Tokyo*

# Victory for US tobacco giants

By Richard Tomkins in New York

US tobacco companies yesterday appeared to have scored a victory in their fight against anti-smoking litigation after the Florida Supreme Court in effect wrecked the state's attempt to sue the industry for $1.4bn in health care costs.

The court said the state must identify every individual said to have suffered injury from smoking and allow them to be cross-examined by the tobacco companies. This would clog up the courts for years with thousands of separate actions.

Philip Morris, the biggest US cigarette manufacturer, said it was "delighted" with the outcome. R.J. Reynolds, the tobacco subsidiary of RJR Nabisco, the second biggest US cigarette manufacturer, said: "The state now faces an almost insurmountable task."

Florida is one of nine states trying to force cigarette manufacturers to compensate them for the costs they incur in treating smoking-related illnesses under Medicaid public assistance. San Francisco has also filed a lawsuit.

Florida had hoped it would be unnecessary to detail the costs it had incurred in each smoker's case. Instead, it proposed using a statistical model to work out its total bill in smoking-related costs. If its suit succeeded, it would then divide the damages between the tobacco companies according to their market share.

In individual trials, the tobacco companies would try to show that tobacco was not the cause or sole cause of peoples' illnesses, and if unsuccessful, would then dispute the amount of damages – for example, trying to show the patient had not been treated in the most economical way.

The ruling is the second recent legal victory for the tobacco industry. In May, a US appeal court threw out a national class action suit that had threatened cigarette makers with billions of dollars in damages.

## Crime of passion or elimination of former presidential aide who knew too much?

# Murder rocks Brazil's world of politics

By Jonathan Wheatley in São Paulo

When the campaign treasurer for Brazil's former President Fernando Collor and his girlfriend were found shot dead in a beach house this week, local police were quick to describe the case as one of murder followed by suicide – a classic crime of passion.

They may be forced to change their verdict. Concerns about their investigations have rocked the world of Brazilian politics and raised suspicions that Mr Paulo César "PC" Farias' sudden demise, five days before he was due to give evidence to a judicial corruption inquiry, was less a crime of passion than the deliberate elimination of a man who knew too much.

His death has reminded Brazilians of aspects of their public life many would rather forget. Mr Farias was the architect of the "PC Scheme" a network of corruption and extortion that caused Mr Collor to resign in 1992. Both were from powerful families in their home state of Alagoas in north-eastern Brazil.

Mr Farias, who served two years in prison for tax evasion after the fall of Mr Collor, was preparing a return to public life by launching a newspaper and was said to have political ambitions. Mr Collor, banned from political activity until 2002 and living in Miami, is also said to be planning a comeback. Analysts say he has enough support in Alagoas to aim for governor.

The crime demonstrates the chasm that still divides parts of Brazil from the democratic modern industrialised economy sought by its energetic reforming President Fernando Henrique Cardoso.

Beset by corruption scandals: former President Fernando Collor (left) and Farias, his murdered campaign treasurer

According to the Alagoas police, his girlfriend Ms Suzana Marcolino shot Mr Farias in his sleep before joining him on the bed and shooting herself through the heart.

The bodies were found on Sunday morning but by Monday, apparently satisfied that their investigations were complete, police burned the blood-stained sheets and mattress and cleaned parts of the crime scene with soap and detergent.

The police's behaviour quickly aroused public suspicion. Such doubts have been reinforced by Colonel George Sanguinetti of the Alagoas police medical corps. "Everything I have learned in 25 years of forensic medicine tells me that this was not a crime of passion but a double homicide," he said.

The trajectories of both fatal bullets were inconsistent with his colleagues' version of events. Ms Marcolino could only have shot Mr Farias on the bed if she had been kneeling on the floor in a position occupied by a bedside table, he said.

It was also strange that Mr Farias had not bled from his wound and that no food was found in his stomach, suggesting he had died some hours later than maintained by police but also some time before he was shot.

Other questions were raised by the fact that four of Mr Farias's five guards were off-duty policemen and that Ms Marcolino's gun was originally bought by one of their colleagues. According to the local police chief poorly paid policemen often take second jobs; many also take advantage of police discounts to buy guns for their own use and resell them on the open market. The gun's manufacturer says 20 per cent of the 65,000 handguns it sells in Brazil every year are bought under police discount schemes.

Alarmed by the goings-on in Alagoas, the federal government has stepped in. Federal agents and a crack forensics team have been sent to assist local police. The four policemen guarding Mr Farias have been arrested.

The justice ministry is keen to see a full inquiry. The incident comes soon after police in another north-eastern state, Maranhão, killed at least 19 landless farmers, then removed the bodies and cleaned the scene.

While evidence of apparent foul play accumulates, the motive for Mr Farias's murder remains unclear. His disappearance will complicate corruption inquiries, but his previous evidence had implicated no one. A possible alternative is the millions of dollars he accumulated in foreign bank accounts. Many have wondered why the police version of events was accepted with such alacrity by Mr Farias's brothers, one of whom is running for mayor of Maceió, the state capital.

On a national level, Alagoan politics have almost certainly had their moment. Only one current minister served in the Collor administration and he is a technocrat from São Paulo.

"Alagoas is a backward state," said Mr Ricardo Ribeiro, a political analyst at consultant firm MCM in São Paulo. "They still settle things there with bullets." Unfortunately for the rule of law in Brazil, it is not an isolated case.

# Fernández ahead as Dominican poll decider nears

By Canute James in Kingston

Dominicans will vote on Sunday for the second time in six weeks to elect a successor to President Joaquin Balaguer who is retiring after dominating the politics of the Caribbean country for most of the past 30 years.

Opinion surveys have given a slight lead to Mr Leonel Fernández of the centrist Liberation party. In the first round in May, Mr Fernández came second to Mr José Francisco Peña Gómez of the social democrat Revolutionary party. Neither got an outright majority, forcing Sunday's decisive vote.

The improvement in Mr Fernández' chances has been credited to Mr Balaguer, a blind octogenarian, who is trying to prevent a win by Mr Peña Gómez. Mr Balaguer, said by aides to be bitter at being forced into retirement, appears intent on maintaining some control of the country.

The president is stepping down after charges by opposition parties and foreign observers, that his slim victory two years ago was the result of extensive fraud. Electoral reforms led to the president's retirement and to this year'a election in the middle of his seventh term.

Mr Peña Gómez' confidence after winning the first round has been dampened by the emergence of the National Patriotic Front, a coalition formed by Mr Balaguer and Mr Juan Bosch, his arch-rival who retired four years ago, to support Mr Fernández and to prevent the presidency from "falling into hands which are not necessarily Dominican," according to Mr Balaguer.

Mr Peña Gómez, who is black, described the move as "racist" and intended to favour Mr Fernández, who is of mixed race.

The winner in Sunday will be installed in mid-August, inheriting an economy which expanded by 4.8 per cent last year, a faster rate than the previous year, according to the central bank.

Income from tourism last year was mainly responsible for covering a merchandise deficit of $2bn on a trade volume of $3.5bn, boosting international reserves by just over $100m during the year, and also contributing to a slight revaluation of the currency. Inflation last year declined to 9.2 per cent, against 14.3 per cent a year earlier.

Both candidates have promised to continue economic reforms started reluctantly by Mr Balaguer under pressure from foreign creditors.

The privatisation of state enterprises, including the electricity and sugar companies, has been promised by the candidates. They have also said the presidency must be reformed, with a reduction in the power of the president, and a greater role for legislators in fiscal matters.

The election will take place amid heightened political tension. Clashes between rival party factions have killed 11 people since February, and the police and the army have been put on alert.

A close victory for either Mr Peña Gómez or Mr Fernández will be challenged by the loser's supporters, increasing the political tension, diplomats in Santo Domingo, the capital, said yesterday.

# Colombia fears US may boost sanctions

By Timothy Ross in Bogotá and Nancy Dunne in Washington

Colombian officials fear the US will impose tougher economic and political sanctions after the government rejected a US request for the extradition of four leading drug traffickers.

Ms Janet Reno, US attorney-general, asked for Mr Gilberto and Miguel Rodriguez Orejuela, Mr Hélmer Herrera and Mr Juan Carlos Ramirez Abadia, leaders of the Cali cartel, to be sent to the US for trial on charges of large-scale cocaine trafficking and money-laundering.

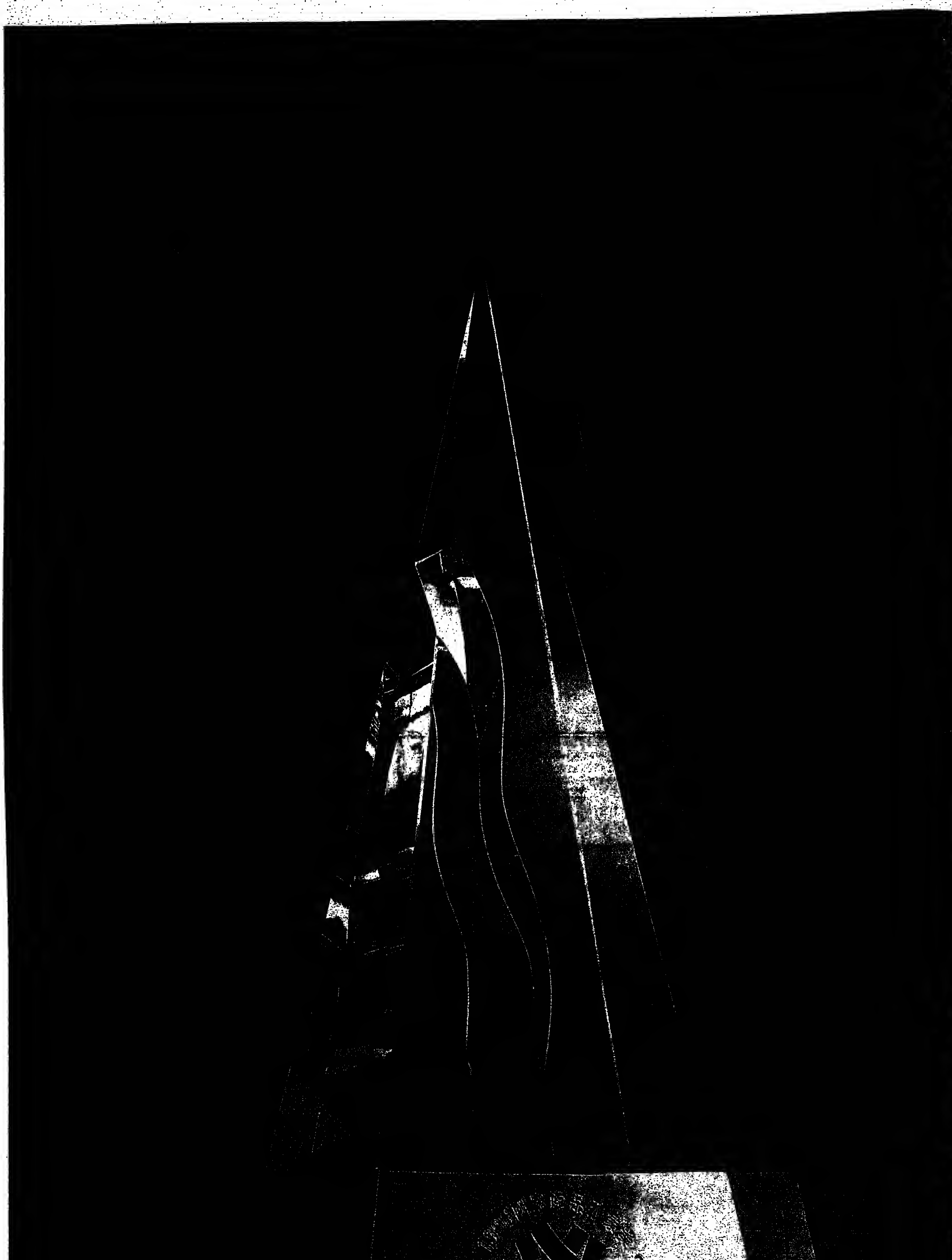
Ms Reno argues there is a valid 1987 bilateral agreement on extradition that Colombia must respect, but Mr Carlos Medellin, the Colombian justice minister, turned down the request on the grounds that extradition of Colombian nationals was prohibited by the 1991 constitution.

At the time the constitution was written, evidence emerged that the vote to ban extradition was influenced by traffickers, with one member of the constituent assembly secretly filmed as he received a briefcase full of bribe money. If the refusal to extradite is considered a violation of an international treaty, extensive economic and political reprisals may be taken.

The US imposed sanctions on Colombia in March for failing to co-operate sufficiently on anti-narcotics efforts. But the US denied it would use indirect sanctions as well. "If we're going to take measures, we're not going to do backdoor things," a spokesman said.

The president of the prestigious economic research institute, Fedesarollo, warned this week that trade sanctions would affect the balance of payments by $400m, with the flower export industry losing at least $80m in the second half of 1996.

Two weeks ago, the presidency issued a communiqué promising to compensate exporters for sales lost if US trade sanctions were imposed.



FINANCIAL TIMES

# COMPANIES & MARKETS



Friday June 28 1996



## IN BRIEF

### Cemex abandons $340m stock issue

Cemex, the Mexican cement multinational, has decided to scrap a $340m equity offering with which it planned to cancel part of its $3.9bn debt. Instead, the company announced it had raised an $850m syndicated loan to refinance part of its short and medium-term obligations. The news was welcomed by Mexico City's stock exchange, which had shown little enthusiasm for the company's planned third stock issue in seven months. Page 20

**Packer sells Village Roadshow stake**

Publishing & Broadcasting company (PBL), the media group controlled by Mr Kerry Packer (left), has sold its 8 per cent stake in Village Roadshow, the Australian cinema and entertainment group, raising about A$88m (US$69.6m). Half the stake will be absorbed by Village's two largest shareholders – the Kirby family's Village Roadshow Corporation, and the UK's United News and Media group. PBL's 4.7 per cent stake in Village Roadshow's preference shares was also sold. Page 22

**GM and Siemens look at locomotive merger**

Two of the world's biggest railway locomotive makers, General Motors of the US and Siemens, the German electronics company, say they were looking at the possibility of merging their diesel locomotive business into a joint venture. Page 16

**Upbeat Danisco lifts payout**

Danisco, the sugar, spirits, food ingredients and packaging group, reported a 21 per cent increase in pre-tax profits from DKr1.33bn to DKr1.60bn ($271.7m) in the year ended April 30, while net profits increased 20 per cent from DKr1.01bn to DKr1.21bn. Page 19

**LOT sell-off falters over adviser**

The Polish government's plan to sell a stake in LOT, the state-owned airline, appears to have been postponed, following a decision to annul a tender for an adviser for the project. Page 19

**Foreign banks boost Taiwan earnings**

Pre-tax profits of foreign banks in Taiwan surged 58.8 per cent to T$6.74bn (US$243m) in 1995 from T$4.24bn a year earlier, buoyed by strong loan demand. Citibank, the leading foreign bank in Taiwan, led the gains with pre-tax profits of T$3.18bn last year, up 75 per cent from 1994. Page 22

**Boots in £300m buy-back**

Boots, the UK retail group, halved its cash pile yesterday buying back about 5 per cent of its equity for £300m ($459m) but leaving itself money for bolt-on acquisitions for its healthcare business and investment in its retail chains. Page 24

**Companies in this issue**



**Market Statistics**



**Chief price changes yesterday**

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| **FRANKFURT (DM)** | | | | Club Med | 482.3 | + | 7.4 |
| **Rises** | | | | Essilor Int | 1375 | + | 26 |
| Altana | 1180 | + | 19 | Promodes | 1485 | + | 44 |
| CKAG Col Pf | 1040 | + | 32 | **Falls** | | | |
| **Falls** | | | | Air Liquide | 910 | - | 14 |
| BEHE | 1050 | - | 23 | UFB Locabail | 481 | - | 19 |
| Holzmann | 411 | - | 31 | **TOKYO (Yen)** | | | |
| Linde | 985 | - | 11 | **Rises** | | | |
| Viag | 599.5 | - | 10.5 | Fuji F&M | 607 | + | 13 |
| **NEW YORK ($)** | | | | Tokyu Land | 581 | + | 17 |
| **Rises** | | | | **Falls** | | | |
| Digital Equip | 44⅛ | + | 2¾ | Chiba Bank | 952 | - | 27 |
| MEMC Elec | 41⅞ | + | 3⅞ | Fuji Hvy Ind | 557 | - | 15 |
| Utd Meridian | 34¾ | + | 2⅞ | Gen Sekiyu | 950 | - | 48 |
| **Falls** | | | | Itoham Foods | 819 | - | 28 |
| Safeway Inc | 32 | - | 2½ | **HONG KONG (HK$)** | | | |
| Quaker Oats | 32¾ | - | 4⅛ | **Rises** | | | |
| Union Carbide | 40⅞ | - | 1¾ | China EB-HID | 1.68 | + | 0.16 |
| **LONDON (Pence)** | | | | Dickson Cncpt | 10.6 | + | 1.5 |
| **Rises** | | | | Grnd Orient | 2.525 | + | 0.17 |
| Dalgety | 117 | + | 9 | **Falls** | | | |
| **Falls** | | | | HK&S Hotels | 13.25 | - | 0.2 |
| CPL Aromas | 395 | - | 33 | Hndrsn Chna | 17.0 | - | 0.5 |
| Magnum Power | 54 | - | 23 | Wheelock | 14.85 | - | 0.35 |
| Pizza Express | 352 | - | 38 | **BANGKOK (Baht)** | | | |
| Regent Inns | 196 | - | 24 | **Rises** | | | |
| Securicor | 245 | - | 26 | Advance Paint | 84.0 | + | 7.5 |
| **TORONTO (C$)** | | | | Central Pat | 119.0 | + | 9.0 |
| **Rises** | | | | Thai Reinsure | 98.0 | + | 8.0 |
| Biochem Phrma | 49.0 | + | 2.0 | **Falls** | | | |
| Cognos Inc | 31.0 | + | 2.0 | Lam Soon | 29.0 | - | 3.0 |
| Newbridge Net | 86.0 | + | 3.55 | Thai Rayon | 131.0 | - | 14.0 |
| **Falls** | | | | Univenture | 24.5 | - | 2.0 |
| Corel Corp | 14.2 | - | 1.8 | | | | |
| Fulcrum Tech | 17.0 | - | 1.7 | | | | |
| Hycl Pharm | 12.5 | - | 1.0 | | | | |
| **PARIS (FFr)** | | | | | | | |
| **Rises** | | | | | | | |
| BIC | 733 | + | 9 | | | | |

New York and Toronto prices at 12.30pm.

# Olivetti shares hit by resignation

By Andrew Hill in Milan

Shares in Olivetti, the Italian computer and telecoms group, fell nearly 3.5 per cent yesterday, in the wake of Wednesday's announcement that Mr Corrado Passera was planning to step down as chief executive.

Mr Carlo De Benedetti, chairman, said yesterday the board would shortly appoint a new chief executive capable of taking the group into a new phase as a broad-based telecoms and information technology company.

Mr De Benedetti, who shares the title of chief executive, said he could not name the new chief executive before the directors had discussed the issue. A meeting should be called before the end of next month.

"I frankly believe, and Corrado is completely in agreement, that the new management phase for the company should be introduced by someone who has expertise in telecommunications," said Mr De Benedetti, whose family controls Olivetti through Cir, the quoted holding company.

Mr Francesco Caio, 38, chief executive of Omnitel Pronto Italia, the mobile phone company in which Olivetti has the largest stake, is said to be the most likely candidate, although some analysts said yesterday it would take the appointment of a strong outsider to restore the market's confidence in Olivetti.

Mr Bernhard Auer, 55, former head of personal computers at Digital Equipment, who joined Olivetti's ailing PC division last year, is likely to take on Mr Passera's duties as chairman and chief executive of the PC subsidiary.

It is understood that Banco Ambrosiano Veneto has offered Mr Passera, 41, the vacant post of chief executive, although the Italian bank would not comment yesterday. The bank is likely to hold a board meeting next week to discuss the appointment.

Mr De Benedetti downplayed the impact of the move on Olivetti's recovery plans, saying Mr Passera's role recently had been more that of a chief operating officer. He said an announcement had been issued because of growing rumours but the decision had been well prepared.

"If you ask me if I would have preferred to have Passera stay on for the whole year as chief operating officer, I would say yes, but the rumours, which had been going on for a few months, had created an unsustainable situation in the company," he said.

Yesterday, Olivetti shares fell L28.8 to L822.5, a decline of more than 11 per cent over the last week.

Mr De Benedetti said Mr Passera was leaving the company just as the troubled PC business was reaching break-even. "I think that the basic work of restructuring the company . . . has been done. I think we're more or less in line with what we expected to do in 1996."

Olivetti last year posted a loss of L1,598bn ($1bn), after restructuring charges cut into profits for the fifth consecutive year. Having raised L2,257bn with a rights issue last year, the group is trying to reposition itself to take advantage of the convergence between information and telecoms technologies.

Lex, Page 16

It took staff-shareholders, 10,000 police and a little humility to survive annual meetings

# Corporate Japan passes AGM test

It should have been a truly dreadful day for many Japanese company presidents. Yet true to tradition, most of them got away with a bow of atonement and a token apology.

For yesterday was one of corporate Japan's most distinctive rituals, when 2,235 companies simultaneously face shareholders' annual general meetings. On paper, they had a rosy story to tell. On average, non-financial groups' annual pre-tax profits rose 23 per cent – after taking out the distorting effect of the banking crisis – the strongest growth for seven years.

But within this, the toll of financial and moral misfortune is the gravest for many years, especially among the most venerable companies. It includes the $1.8bn loss on unauthorised copper dealing at Sumitomo Corporation, the trading company; a $1.1bn loss on US bonds – allegedly fraudulently concealed – at Daiwa Bank; a US sex harassment suit against Mitsubishi Motors and the revelation that Takashimaya, the department store, made hundreds of thousands of dollars of payments to gangsters over the past decade.

Far from getting a hammering from angry investors, most presidents got through their day of judgment unscarred. They avoided any detailed explanation of what went wrong and were spared tough questions. This was hardly surprising, because meeting halls were packed with loyal employees and preselected friendly investors.

To ensure good behaviour and to keep out sokaiya – corporate extortionists who demand bribes to ensure there is no fuss – the police stationed 10,000 officers in meeting rooms in Tokyo and Osaka, a heavier guard than usual. It was another reminder that in spite of the internationalisation of many of Japan's top groups, accountability to shareholders remains near the bottom of managements' priorities.

The most superficial performance came from Mr Tomiichi Akiyama, Sumitomo's president. "As a company that puts trust before anything else, we are truly ashamed," he intoned.

Sumitomo did allow its AGM to be televised for the first time but it was no more than a gesture. The meeting was over in 40 minutes and had been packed, by the group's own admission, with other members of the Sumitomo keiretsu, or corporate family, who could be counted on to approve a plan to dip into hidden reserves to cover losses. Sumitomo investors have lost more than 20 per cent of the value of their shares since the copper loss was announced two weeks ago.

It looked as if the ritual would be harder at Mitsubishi Motors, which found its meeting besieged by the US National Organisation for Women and 20 Japanese women's rights campaigners seeking to draw attention to allegations of sexual harassment at its US plant. Mr Hirokazu Nakamura, the chairman, got through in 23 minutes – and no questions about the case were raised.

Mr Tasumi Nagatoshi, president of Japan Aviation Electronics Industry, a maker of navigation equipment, managed to get through his AGM without even mentioning the fact that his board members were served a court order last week inviting them to pay the company Y1.2bn ($11m) compensation for US fines imposed for illicitly selling components to the Iranian air force.

The 17 commercial banks which have reported their first losses since the second world war had a slightly harder time. The Industrial Bank of Japan, one of the founders of the largest of the bankrupt jusen housing loan companies at the centre of banks' bad debt problems, came under fierce shareholder criticism yesterday. But it was all over in half an hour.

Some of the jusen founder banks had practised for what they knew would be a touchy day by instructing staff-shareholders to turn up early and occupy the front rows of seats. According to one employee, they were trained to shout "no objection" at appropriate moments and to fire off harmless questions if the board came under pressure to explain how the jusen got into such trouble.

A genuine gesture of contrition came from Takashimaya, the famous department store, whose president resigned this month over allegations that his staff had over the past two years paid Y80m to sokaiya corporate extortionists to ensure harmony at shareholders' meetings.

Some smaller companies, more sensitive than their larger brethren to criticisms that ritual AGMs are bad for shareholder relations, have made cautious attempts to open up. But they fall short of what Anglo-Saxon companies would call full disclosure.

Square, a Tokyo video games producer, chose to hold its AGM last Sunday, a courteous invitation to small investors who are too busy to come to a weekday AGM. Shareholders were asked to bring their children, who played with the group's latest products in a games arcade next to the hall. "The presence of children and journalists makes it difficult for sokaiya to participate," said Mr Tetsuo Mizuno, Square's president.

Koa, a producer of electrical resistors, took a slightly more sincere attitude by inviting investors to a country picnic, followed by a question-and-answer session. It attracted nearly twice as many shareholders as a conventional meeting the previous year.

But with these few exceptions, the AGM ritual has changed little. Mr Clifford Shaw, president of Mercury Asset Management's Tokyo office, said: "Companies are well aware of disclosure and investor relations as an intellectual concept. Japan is moving in the direction of shareholder society, but one can't expect things to change overnight."

The great copper crash, Page 10; Editorial Comment, Page 15

William Dawkins

Picture: Reuters

Hide and seek: Guards keep a distance between shareholders and reporters at Mitsubishi's AGM yesterday

# Deutsche Post freed to buy 25% of Postbank

By Michael Lindemann in Bonn

Months of wrangling between Deutsche Post, Germany's postal network, and Postbank, the postal savings bank, is likely to end with a deal due to be announced today by the German government allowing Deutsche Post to take a 25 per cent stake in Postbank.

Details of the deal emerged yesterday after Mr Theo Waigel, finance minister, reached a compromise with the Free Democratic party, the small coalition partner in Chancellor Helmut Kohl's government which had vowed to ensure Deutsche Post could only take a stake of up to 15 per cent in Postbank.

A quick resolution to the tussle between the two companies is important because Mr Waigel has pencilled into this year's budget about DM3.1bn ($2bn) from the sale of Postbank stakes.

Officials in Bonn said Deutsche Post would initially be allowed to buy a 15 per cent stake in Postbank for an unspecified sum and could raise that stake a further 10 per cent when Postbank was listed, expected in 1998.

Both companies are still state-owned but Deutsche Post last September launched a hostile bid for a 75 per cent stake in Postbank which it planned to buy in alliance with Deutsche Bank and Swiss Re, the reinsurer.

Postbank, however, declined to comment on the deal, saying it had not been officially informed. It has argued that Deutsche Post must not be allowed to take a minority controlling stake of 25 per cent and one share in Postbank, which would enable it to influence the bank's strategy.

"We could live with 25 per cent but what about the extra share?" asked one Postbank executive. "Will Deutsche Post be able to buy that and thereby build up a minority controlling stake?"

Postbank executives also said it was still unclear whether Postbank would be allowed to go ahead with a planned sale of 35 per cent of its equity to three financial institutions. BHW building society, BHF bank and the Volksfürsorge insurance company, with which Postbank wants to co-operate.

Deutsche Post, meanwhile, said it did not have details of a co-operation agreement which has still to be agreed between it and Postbank. Postbank does most of its business through Deutsche Post's offices for which it is has, in the past, paid an annual fee of DM1.3bn.

# Procter & Gamble to sell Aleve venture stake to Roche

By Richard Tomkins in New York

Procter & Gamble, the US consumer goods company, yesterday said it would stop marketing Aleve, one of the best-selling over-the-counter painkillers in the US, because it was handing over the US rights to Roche, the Swiss drug company.

P&G had marketed Aleve in the US under a joint venture agreement with Roche, which makes the drug. But yesterday P&G said it was selling its 50 per cent stake in the venture to Roche.

Terms of the sale were not disclosed, but P&G said it would result in an after-tax gain of $120m in the quarter to June.

Aleve – a non-prescription version of the drug naproxen – has been highly successful for P&G, becoming the fourth biggest selling analgesic in the US. The joint venture also makes Femstat 3, a vaginal yeast infection brand.

P&G emphasised it was not pulling out of health care. It was selling its stake in the joint venture because its agreement with Roche restricted its marketing rights to the US, preventing it from selling Aleve elsewhere.

"We're building our healthcare business by focusing on the largest global opportunities," Mr John Pepper, chairman and chief executive, said. "We realise that becoming a major global player will take time, but we're making good progress and remain committed to that goal."

P&G entered the Aleve joint venture with Syntex Laboratories, a US drug company, in 1988, but Syntex was taken over by Roche in 1994, the same year Aleve came to the market.

Under the original agreement, Syntex made Aleve and P&G sold it, but P&G's marketing rights extended only to the US. When Roche took over Syntex, it held P&G to the agreement because Roche wanted to sell Aleve elsewhere.

Dr Franz Humer, head of Roche's worldwide pharmaceutical business, said yesterday: "Acquiring P&G's stake in the joint venture serves as a powerful springboard for Roche to introduce Aleve in other countries around the world."

Separately, P&G announced it would take an after-tax gain of $78m in the quarter to June because of the favourable settlement of its recent lawsuit against Bankers Trust. However, it also warned of an after-tax charge of $150m to increase its reserves for pulp price fluctuations.

# Tax problems may prompt Lonrho to split three ways

By Ross Tieman in London

Lonrho, the UK mining, hotels and African trading conglomerate headed by Mr Dieter Bock, is today expected to announce that tax problems have led it to examine alternatives to its planned £1bn ($1.53bn) mining demerger.

Analysts say it appears probable the mining business will retain the Lonrho name and continue trading under the wing of Anglo American Corporation, the South African mining group that is a leading Lonrho shareholder.

The rest of Lonrho is likely to be divided in two, splitting the hotel and trading interests.

Advisers to Lonrho have found that it would incur big capital gains tax liabilities if it were to float off its mining activities. Confirmation that tax issues have derailed the original demerger plan is expected with the announcement of Lonrho profits for the half year to March 31. Analysts expect pre-tax profits of more than £60m, up from £52m.

Investors will focus on signals from Mr Bock about progress in unlocking shareholder value. Mr Bock said in January he planned to demerge the mining assets by the middle of the year. Lonrho's advisers, Deutsche Morgan Grenfell, HSBC James Capel and Touche Ross have been examining options for four months.

Their task is made hard by the complexity of the group and the range of its joint venture partners. Analysts say Lonrho also needs to raise cash via disposals to put its on-going businesses on a sound financial footing.

In the year to September 30 1995, Lonrho's mining arm made operating profits of £103m on sales of £439m. Analysts say it could be worth up to £1bn, although its value has been hit by recent metal price falls.

The hotel business includes the five-strong Metropole chain in the UK, the Princess group in the US, Mexico, Bermuda and the Bahamas, and ownership of or interests in seven African hotels.

## Siemens sees Spanish telecoms business trebling and considers rail merger with GM

# Amper expects exports to aid 30% earnings rise

**By David White in Madrid**

Amper, the Spanish telecommunications equipment group which recently agreed to sell part of its operations to Siemens of Germany, is predicting earnings growth this year of more than 30 per cent-plus. to more than Pta3.5bn ($27.2m).

Mr Eugenio Vela, Amper chief executive, based the forecast on a 46 per cent improvement in consolidated earnings for the first five months. Sales for the year are expected to rise between 8 per cent and 10 per cent to about Pta44bn, with exports climbing at least 40 per cent.

He said the group's Amper Programas subsidiary was poised to become prime contractor for a Pta28bn battlefield telecommunications system for the Spanish army.

Last year's Pta2.72bn net profit was three times the size of the previous year's, when Amper returned to the black. The earnings forecast excludes capital gains arising from the deal with Siemens, expected to be at least Pta12bn.

Under the deal, due to be completed in September, the German group is to pay between Pta14bn and Pta17bn for Amper interests in the expectation of tripling its Spanish telecoms business in the next two or three years.

The bulk of the investment involves control of the public-telephone manufacturer Amper Elasa, the biggest of the Amper group's fully-owned subsidiaries. Siemens, headed by Mr Heinrich von Pierer, is to purchase 80 per cent of the unit for Pta13bn with an option to buy the remainder for Pta3.2bn. It is also to buy a 10 per cent share in the data network systems unit Amper Datos, for Pta1bn, with an option on a further 20 per cent.

At the same time, the activities of Amper Telemática, which makes terminals and small exchanges, are to be merged with Siemens' telecoms equipment operations in Spain. Amper will have the right to take 34 per cent in this operation, which is awaiting court settlement of a labour dispute at Amper Telemática. The deal provides for transfer of the assets to the joint venture at net book value. Siemens has reserved the right to pull out of the latter two parts of the agreement in the event of a competitor taking a dominant shareholding in Amper.

The main shareholder in Amper is Telefónica, which has 15 per cent and is the main client, and the Indra electronics group.

Mr Vela said the deal with Siemens would reduce the size of the group by about a third but leave it clear of debts, which were Pta10bn at the end of last year. He said the group aimed to concentrate on niche markets and build on partnerships with Motorola and Thomson, the French group, as well as Siemens.

Heinrich von Pierer: expects to triple Spanish telecoms business

**Siemens' drive for growth**

| Financial year | Sales DMm | EBIT DMm | Net income DMm | Number of shares (m) | DVFA/SG EPS (DM) | PER | CFPS* | Dividend (DM) |
|---|---|---|---|---|---|---|---|---|
| 09/93 | 81,648 | 1,057 | 1,982 | 55.96 | 38.50 | 22 | 134.50 | 13.00 |
| 09/94 | 84,598 | 809 | 1,993 | 55.96 | 34.50 | 24 | 130.00 | 13.00 |
| 09/95 | 88,763 | 1,146 | 2,084 | 56.00 | 39.50 | 21 | 127.00 | 13.00 |
| 09/96(e) | 93,200 | 2,180 | 2,740 | 56.00 | 49.00 | 17 | 151.50 | 15.00 |
| 09/97(e) | 98,900 | 2,600 | 3,020 | 56.00 | 54.00 | 15 | 186.50 | 16.00 |

# Locomotive units may merge

**By Richard Tomkins in New York and Wolfgang Münchau in Frankfurt**

Two of the world's biggest railway locomotive makers, General Motors, of the US, and Siemens, of Germany, are looking at the possibility of merging their diesel locomotive business into a joint venture.

GM's electro-motive division and Siemens' transportation systems group said they had signed a letter of intent to pursue the feasibility of setting up a venture which would design, make and sell diesel locomotives worldwide.

The two have co-operated in the past. In 1985, they jointly introduced alternating current traction technology to the North American heavy-haul freight market, and in 1994 they won an order worth nearly $1bn from Burlington Northern Railroad – the world's biggest locomotive order to date.

Mr Wolfram Martinsen, president of Siemens' transportation systems group, said the proposed joint venture would be "a natural evolution" of the work the companies had done together.

"We are looking to expand and build upon a relationship that has been mutually beneficial," he said.

Diesel locomotives are widely used in the US, as very little of tha nation's railway network – predominantly used for heavy freight haulage – is electrified. In Europe, they are used mainly for freight haulage on non-electrified lines.

GM has recently lost ground to General Electric in the US market, but it recently won an order worth about £250m ($382.5m) to supply 250 locomotives to Wisconsin Central Transportation for use on the UK's privatised rail network.

A joint venture between GM and Siemens would reflect a global trend towards international alliances in railway equipment manufacturing, such as the creation of the Anglo-French GEC-Alsthom grouping.

Most diesel locomotives work by using a diesel geoerator to supply electricity to the motors that turn the wheels. The proposed joint venture would bring together Siemens' skills in electric traction and GM's skills in diesel engines.

The two companies said the venture would comprise GM's diesel locomotive division in London, Ontario, and Siemens' diesel locomotive division in Kiel, Germany. It could come into operation early next year.

# GEC telecoms link

**By Alan Cane**

Siemens and GEC, of the UK, are setting up a new company to exploit the global market for private telecommunications systems. It will have an initial turnover of about £260m ($386m) and it will be the third-largest group in Siemens' private systems business after Germany and the US.

As yet unnamed, the new company will be owned equally by the two partners, but Siemens will have management control. Siemens already has a 40 per cent stake in GPT, the UK's largest telecommunications equipment manufacturer, with GEC holding the remaining 60 per cent. Siemens is known to be keen to acquire a larger stake in GPT, but only at a reasonabla price.

The new company will integrate GPT Business Systems, which manufactures private branch exchanges, and GPT Communications Systems, its marketing arm. It will be closely associated with Siemens Business Communications Systems, formed last year after Siemens took a 75 per cent stake in Mercury Communications' customer equipment division.

Mr Jurgen Gehrels, chief executive of Siemens UK, said it was essential the new company was under Siemens' control to ensure it made the most of the German group's worldwide sales and marketing expertise in an increasingly competitive market.

GPT, he said, was active only in a limited number of overseas markets. Manufacturing would continue in the UK.

He was unable to say how much Siemens would be paying for its stake.

# Générale des Eaux chairman bows out

**By David Owen in Paris**

Another one of the old guard of French business bowed out yesterday with the departure of Mr Guy Dejouany, 75, from his post as chairman of Générale des Eaux, France's largest private employer.

Mr Dejouany presided for the last time over the utilities and communications group's general shareholders' meeting in Paris after 20 years at the helm and 46 years with the company.

The move came less than two months after Danone, Europe's largest biscuit maker, announced the departure as chairman of Mr Antoine Riboud, 77, one of the best-known figures in French business.

Mr Dejouany is being succeeded by Mr Jean-Marie Messier, previously managing director, who – at 39 – becomes one of the youngest heads of a large French company. A high flyer throughout his career, Mr Messier was described this week as "an almost perfect young man" by Le Figaro, the French daily newspaper.

Mr Messier took advantage of yesterday's meeting to confirm that the company would return to profit in 1996 and announce the creation of a new unit – Générale des Eaux Communications.

He said the unit would "co-ordinate all the group's communications activities". Among its wide-ranging interests, the group is a participant in France's underdeveloped mobile telephone market through Société Française du Radiotéléphone. SFR accounts for some 35 per cent of French mobile phone subscribers.

Mr Messier said that by the date of the planned deregulation of the European Union's telecommunications market on January 1 1998, Générale des Eaux would be ready to participate in three areas – personal telecommunications, long-distance operations and service operations for companies.

He said he expected this year's operating profit to total nearly FFr4bn ($773m).

**NEWS DIGEST**

## Portugal Telecom names advisers

Portugal Telecom has appointed Deutsche Morgan Grenfell, N. M. Rothschild and Salomon Brothers to advise on the choice of a strategic partner and the group's alliance strategy, the company said yesterday. PT, which is 49 per cent privatised, is expected to choose an international partner to acquire a holding of up to 25 per cent by the end of 1996.

PT is understood to be in contact with Deutsche Telekom, British Telecommunications, Stet, the Italian operator, Telefónica of Spain, Tele Danmark, Singapore Telecom, Bell Atlantic of the US and other telecoms companies about a possible partnership.

The choice of more than one partner, or the possibility of establishing an alliance that does not involve an equity acquisition, has not been ruled out. Through its choice of partner, PT aims to find a place in one of the global associations of telecommunications groups now taking shape.

PT has already formed a joint venture with Telebrás of Brazil. Analysts say PT could suffer if it was competing in Latin America against Telefónica, which has strong presence in the region. But PT's management has said it would not be limited to choosing a partner from Uniworld, the international consortium between Unisource, which includes Telefónica, and AT&T of the US. *Peter Wise, Lisbon*

## UBS wins Polish mandate

Union Bank of Switzerland said it won a mandate together with BZW and Polish bank Wielkopolski Bank Kredytowy to lead manage the privatisation of KGHM Polska Miedz, a copper producer. UBS said it planned to place 51 per cent of future KGHM shares in public hands, half of which outside Poland as global depositary receipts. *AFX News, Zurich*

## Hungarian bank chooses BZW

BZW, the investment banking division of Barclays Bank, has been chosen to advise on the privatisation of Hungarian Credit Bank, Hungary's largest commercial bank. The award is a disappointment for CS First Boston, which had been considered the frontrunner for the mandate. CSFB was eliminated from the tender because two executives on its team were not European Union citizens and the EU's Phare programme was financing the advisory work. The investment bank protested but the EU said its rules on the nationality of bankers were clear. *Nicholas Denton*

## Croatia placement welcomed

The international equity placement for Zagrebacka Banka, the second largest bank in Croatia, has been 15 times oversubscribed, according to arranger Union Bank of Switzerland. The issue, for 10 per cent of the bank's share capital, was priced yesterday at $8.5 per global depository receipt, near the top of the range indicated last week. The issue gives the company a market capitalisation of $250m.

UBS is buying 2 per cent of the shares for its own account at a discount to the offer price. It reported strong demand for the balance of the issue from institutional investors in Europe and the US. *Gavin Gray, Zagreb*

## Krupp sees sales up 3%

Mr Gerhard Cromme, chairman of Krupp, said the company expected sales in the six months to June to rise 3 per cent from the year earlier. Speaking at the annual general meeting, Mr Cromme said new orders were expected to grow around 4 per cent. He said the figures included the first-time consolidation of acquisitions made last year. *AFX News, Essen*

**COMPANIES AND FINANCE: EUROPE**

# Upbeat Danisco lifts payout as earnings advance 20%

**By Hilary Barnes in Copenhagen**

Danisco, the Danish sugar, spirits, food ingredients and packaging group, reported a 21 per cent increase in pre-tax profits from DKr1.33bn to DKr1.60bn ($271.7m) in the year ended April 30. Net profits increased 20 per cent from DKr1.01bn to DKr1.21bn.

The board proposed a DKr1 increase in the dividend, to DKr4.20, the third successive year of increase, taking the payout ratio to 21 per cent. The board said it intended to raise the ratio further in coming years.

Although the result was slightly below the consensus forecast by analysts, Danisco's shares closed DKr1 higher at DKr291 in Copenhagen.

The result was lifted by a cut in net financial costs by DKr115m, to DKr192m. Profits before financial items rose 10 per cent from DKr1.63bn to DKr1.79hn, while turnover increased 14 per cent, from DKr14.19hn to DKr16.18hn. Acquisitions accounted for two-thirds of the sales increase.

The board said 1996-97 profits were expected to live up to the group's long-term aim of increasing profits by 10-12 per cent a year.

Sales by the group's fast-growing packaging sector rose 37 per cent, to DKr4.97bn, but operating profits rose only 7 per cent to DKr441m.

Profits were held back by an unsatisfactory year in plastic wrapping by Danisco Flexible Packaging, the fifth-largest business of its kind in Europe, owing to falling demand from the food industry in Germany and France and volatile raw material prices.

The sugar division, which produced 922,000 tonnes of beet sugar in Denmark, Sweden and Germany, increased turnover 7 per cent to DKr6.29bn, and operating profits 6 per cent to DKr979m.

Sales and earnings in tha current year were expected to be on a level with or slightly better than last year, said the group.

The food ingredients division, which prodnces enzymes, emnlsifiers, flavourings and similar products, had a disappointing year, with sales up 5 per cent to DKr2.40hn and operating profits by 2 per cent to DKr357m, which was below expectations.

An improvement was predicted in the result in the current year.

Operating profits in the food and beverage division, which includes frozen vegetables and distilling, advanced 40 per cent to DKr199m on sales up 6 per cent to DKr2.67bn.

The board said the 125th anniversary of the group's establishment this year would be marked by a rights issue of shares, to a nominal value of DKr5m, to employees in Denmark and abroad for enhscription at a price of DKr60 per share (nominal valne DKr20).

# Air France Europe on collision course with pilots' union

**By David Owen in Paris**

Air France Europe, the domestic partner of Air France, seemed to be heading for a showdown with its pilots yesterday after the SNPL pilots' union indicated it was not prepared to accept a new remuneration package.

Air France has threatened to delay e planned restructuring of its domestic and European operations if the pilots do not agree to a package aligning their pay and conditions with their counterparts in Air France by the end of this month.

An SNPL spokeswoman said last night she did not think the union would decide to accept the package in the three days before the deadline.

Air France Europe pilots currently receive between 10 per cent and 15 per cent more than their colleagues at Air France. The planned restructuring, involving the merger of Air France Europe with Air France's European operations, is scheduled to go ahead in April 1997.

This emerged as a number of unions representing Air France Europe's ground staff and navigators called a strike for today to protest at plans to "demolish" the company.

As a result, the company said last night it was forced to cancel all its flights for today.

Air France Europe recently embarked on a programme of measures, including a two-year pay freeze, to improve the financial performance of the company.

On Wednesday, it reported a net loss of FFr661.4m ($128m) – and operating losses of FFr549m – for the 15 months from January 1 1995 to March 31 1996, blaming competition from other French airlines.

Mr Jean-Pierre Courcol, Air France Europe's managing director, has said the measures should restrict losses to FFr850m-FFr900m in the first year after their implementation and FFr150m-FFr160m in the second.

Meanwhile, the SNPL unveiled its own proposals for restructuring Air France Europe involving the division of its capital into three equal parts, with the French state, the company's staff and a private shareholder each holding one-third.

# LOT sell-off falters as Warsaw annuls tender for adviser

**By Christopher Bobinski in Warsaw**

The Polish government's plan to sell a strategic stake in LOT, the stste-owned national airline, appears to have been postponed, following e decision to annul a tender for an adviser for the project.

Mr Boguslaw Liberadzki, the transport minister, said this week the tender, in which six consortia had been shortlisted, had been annulled as the cost of the bids had far ontweighed the funds available to pay the advisory fees.

The ministry is insisting the sale will go ahead once an adviser has been chosen to value the airline and provide legal advice prior to the sale. The ministry said yesterday that the government had still to decide whether a new tender would be advertised. A decision is promised for next week.

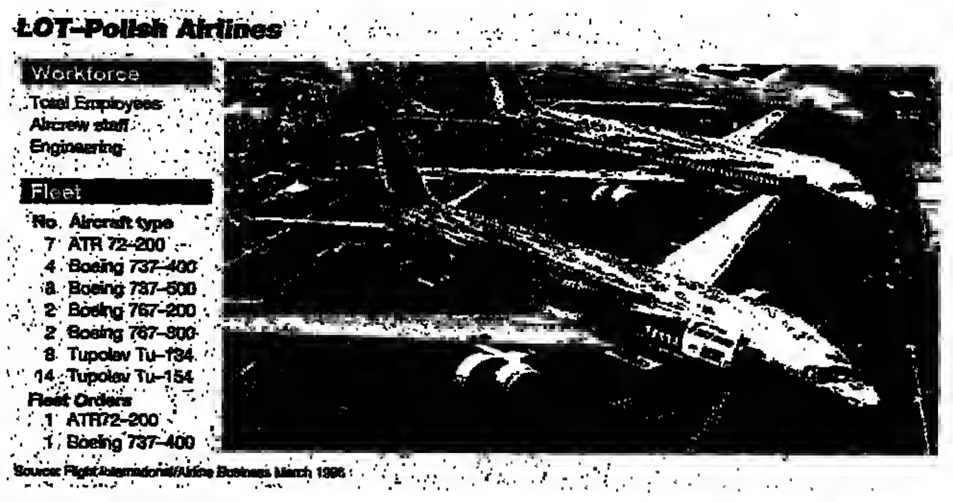
However, the financial details of the original bid have raised donbts over the government'e commitment to the sale. The fees offered by the ehortlisted hanks – which included SBC Warburg, Kleinwort Benson, BZW and Merrill Lynch – averaged about $2m, while the transport ministry had budgeted for a cost of $250,000.

"We spent around $200,000 on preparing our offer," said one bemused investment banker yesterday.

The development has led to speculation that the government had advertised plans to sell the etake in the airline merely as a sop to the US government, which had signalled that aid funds for transport projects would only become available if the disposal was set in train.

Last year LOT, which flies Boeing aircraft, reported a net profit of 6m zlotys ($2.2m) on sales of 1.1bn zlotys, and carried 1.8m passengers.

Under the proposed sale, the treasury would have retained a 51 per cent share, while 29 per cent of the equity was to have been offered to a strategic investor and the balance to LOT'e 3,860 employees.




Source: Flight International/Airline Business March 1996

# Telecom Eireann deal pleases all

There was an unusual unanimity among bankers yesterday that both the Irish government and KPN-Telia, the Dutch-Swedish consortium selected as the strategic partner of Telecom Eireann, had got a good deal.

"So often companies enter a bidding war and pay too much. But this is a creative deal which aligns the interests of both the government and the consortium," said Mr Stewart Birdt, European telecommunications analyst at Goldman Sachs, the US bank.

"I think it's a fair price, on the basis of the cash flow projections, and it's probably pleasing to both parties," said Mr Douglas Wight, of Salomon Brothers, the US bank.

The complex arrangement, involving two tranches of paymeots and a profit-sharing formula based on future earnings, provides both parties with an incentive to maximise the profits over time.

Under the terms unveiled on Wednesday, KPN-Telia is to pay I£183m ($115m) for an initial 20 per cent stake, with an option over three years to pay a further I£200m for an additonal 15 per cent.

If the value of the company increases, the consortium is in addition obliged to make payments to the state to reflect this. Under e profit-sharing formula, all profits will be shared 60:40 between the state and the consortium once they have taken up their options.

The elegance of the structure is that it provides an incentive to maximise earnings growth, raising the value of the option for the consortinm. On the other hand, it constitntes e constraint on the government "not to do anything onerous in the regulatory field" as one banker put it.

The terms imply a rate of return to the investors of about 45 per cent over the three-year period of the option, which bankers say is reasonable.

During its own partial privatisation in 1994, KPN was able to overcome the sensitive issue of job cuts by openly provisioning for redundancies. Bankers said yesterday that this was an inflnential factor in the government's choice of partners for TE.

Mr Hans Vutzen, chief executive of Tele Danmark, the Danish telecommunications group which was an unsuccessful bidder, described the outcome as "unexpected". But TE is understood to have indicated to the Danish company that it would need to find a partner to be considered.

For TE, there is an immediate benefit from the cash injection to its balance sheet, as the government has committed to reinvest I£220m to reduce the company's debt, which was about I£700m at the year ended April 4 1996. The company estimates this will reduce the debt financing costs from I£100m to I£40m

In addition, the proceeds will be used by the government to meet its outstanding pension obligations, which are running at I£250m.

The TE budget for 1996-97 anticipates payroll cost reductions of I£22m. Over the past two years the company has won agreement for 1,200 voluntary redundancies ont of a workforce now at 11,700.

The government will remain TE's majority shareholder. However, the company said there was the possibility of a public offering of stock only if the consortium chose to sell its shares.

**John Murray Brown**

## COMPANIES AND FINANCE: THE AMERICAS

# Cemex scraps $340m equity issue

By Leslie Crawford in Mexico City

Cemex, the Mexican cement multinational, has decided to scrap a $340m equity offering with which it planned to cancel part of its $3.9bn debt.

Instead, the company announced it had raised an $850m syndicated loan to refinance part of its short and medium-term obligations.

The news was welcomed yesterday on Mexico City's stock exchange, where demand for Cemex shares contributed to a strong morning rally. The equity offering, planned for next Monday, had been greeted with scant enthusiasm by the market, which showed little appetite for the company's third stock issue in seven months.

Mr Lorenzo Zambrano, chairman of the board, said Cemex had decided to withdraw the equity offering because of the depressed price of its shares, which have remained flat in dollar terms this year against a 16 per cent increase for the Mexican stock exchange as a whole.

"Given that Cemex's operating income has increased at an annual rate of more than 20 per cent over the past five years, we believe that the current price of Cemex shares in no way reflects the value of the company," Mr Zambrano said.

Mr Gustavo Caballero, Cemex's chief financial officer, said the company did not rule out an equity offering when prices firmed.

"The main objective of the equity offering was to help us continue with our expansion plans," he said. "But we owe it to our present shareholders to defend the price of our stock. We cannot simply give it away."

The new $850m credit will be repaid over seven years, with a floating interest rate of Libor plus a "small spread" of less than 1 per cent. The exact interest rate, Mr Caballero said, was still being negotiated with the six-member bank syndicate, composed of Chase, Citibank, J. P. Morgan, Argentaria, Banco Bilbao Vizcaya and Deutsche Bank.

The loan will be used to refinance the debts of Valenciana de Cementos, Cemex's Spanish subsidiary.

In addition, the company said it had raised a five-year $125m loan in the US, which would also be used to extend Cemex's debt profile.

Mr Caballero said plans to retire Cemex's $1bn "jumbo bond", which matures in 1998, were still on course. The company has already pitched its offer to bondholders, and intends to finance the repurchase operation with two new placements of four-year and 10-year paper in July.

Lorenzo Zambrano: value not reflected in shares Ashley Ashwood

# Telecoms consortia on hold for Brazilian bidding

## International operators and their local partners are seeking a share of the liberalised cellular network

While legislation allowing the private sector to provide cellular telephone services makes its snail-like way through Brazil's congress, the consortia that will bid to operate the new concessions are taking shape.

The attraction is a share in one of the world's fastest growing markets, in which the government hopes to see cellular subscriptions rise from less than 2m today to more than 17m by 2003. With subscribers in São Paulo paying average monthly bills of R$100 (about US$100), the appeal is obvious.

The first concessions are likely to be sold at the beginning of next year, although the communications ministry would like to move faster.

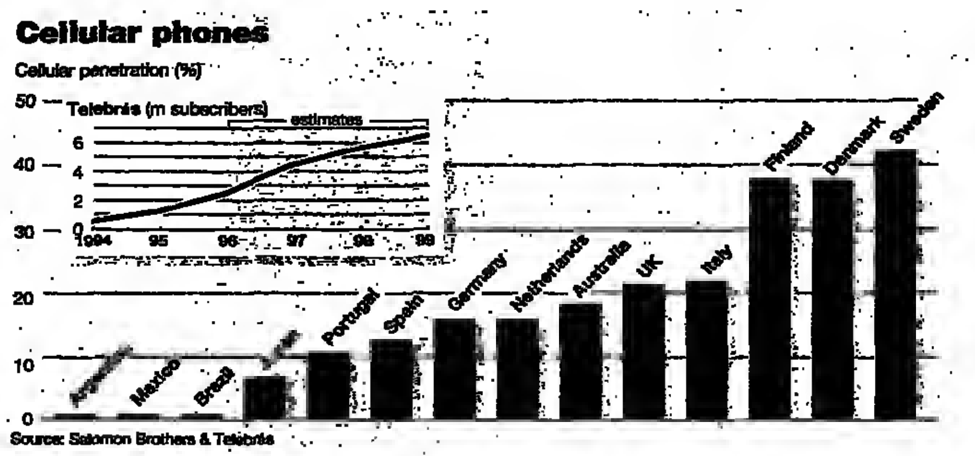
One consortium already exists as a formal entity: US operator AT&T has formed a joint venture with Globopar, the investment arm of Brazil's biggest media group, and the country's biggest private bank, Bradesco. AT&T has 40 per cent of control, with Globopar and Bradesco taking 30 per cent each.

Other US operators have reached less formal arrangements. GTE has signed a memorandum of understanding with Brazilian bank Itamaraty and Splice, a maker of telecommunications equipment; BellSouth has a long-standing agreement with Brazilian bank Safra and media group OESP; Nynex has formed a consortium with eight Brazilian banks and industrial and media groups which may expand further; Air Touch has allied with construction group Odebrecht and Unibanco, a leading bank.

Other international operators and equipment makers are known to be considering similar alliances: Southwestern Bell, US West, Nortel, Millicom, Hughes and Motorola of the US; Stet of Italy; Telefónica of Spain; France Télécom, Alcatel and Globalstar of France; Swiss Telecom; and Cable & Wireless of the UK. These and others have been linked with Brazilian partners. Under the legislation now before congress, foreign companies may own no more than 49 per cent of any consortium for three years from the law's approval. But foreigners were looking for Brazilian partners long before the restriction was proposed.

"All foreign operators need to team up with local banks or pension funds, to provide finance, and they need local entrepreneurs to provide marketing experience," says Mr Adolfo Rinaldi, managing director of Stet in Brazil.

Mr Rinaldi claims Stet is in "more or less advanced" negotiations with potential local partners, while many other consortia are in a state of flux. One reason, he says, is that some US operators are turning their attention back to their home market. Another is uncertainty about what will be on offer in Brazil, and how much concessions will cost.




Source: Salomon Brothers & Telebrás

Before concessions are sold, the communications ministry must reorganise the country's services, currently divided among 27 operators controlled by state holding company Telebrás, into a handful of economically viable areas (there are also two municipally-owned companies plus state-owned CRT of Rio Grande do Sul and one small private company).

An equally daunting task is that of devising a regulatory structure for the telecommunications industry, something Brazil has not had for the past 30 years. Initially, the ministry says it will act as regulator before handing over to an outside body.

Other questions must be settled, such as whether concession holders will later be allowed to provide PCS (personal communications system) services, which offer subscribers a single telephone number anywhere in the country. The ministry must also set the interconnector tariffs companies charge each other for carrying signals beyond their own areas.

"We would be looking for a very strong definition of the interconnector regime before investing," says Mr Mark Schultz, vice-president for international operations at AT&T. Otherwise, though, AT&T and other potential operators say they are prepared to accept some uncertainty.

"Ideally, we would like the full regulatory system to be in place beforehand," says Mr John McLean, vice-president for business development in Latin America at GTE. "But, on balance, we have to ask if we want to wait another year for that to happen. We would also like to get in before the state companies get their act cleaned up."

The Telebrás companies will compete with the new private concession holders until they, too, are sold – something the ministry, perhaps optimistically, hopes to achieve next year. How ready they are to compete will affect how much companies are prepared to pay for the new concessions, as will the degree of doubt hanging over future regulations.

Mr Renato Navarro Guerreiro, executive secretary at the communications ministry, says interconnector tariffs will be established before concessions are sold, and that any later changes will be covered by the terms of the concession contract. By the same token, any changes to regulations will be restricted by the contract and will apply only to future concessions.

As to the price of the concessions, he says: "It is not the business of the ministry to raise money from the tendering process. Our first duty is to make sure the public receives the best possible service."

Mr Rinaldi at Stet applauds this attitude, but says the government should balance its priorities.

"Of course, the standard of service is the most important thing," he says. "But the government will make more money, and everyone will be happier, if it defines everything clearly in advance."

**Jonathan Wheatley**

## NEWS DIGEST

# ADR trading soars 36% in first half

Trading in American Depositary Receipts soared in the first half of 1996, according to a report from Citibank, with volumes reaching $179bn. This was 36 per cent higher than in the same period of 1995. ADRs represent shares of non-US companies that are traded on US exchanges in dollars.

The number of companies launching ADR programmes rose 14 per cent during the first half of 1995, to 98, with companies from emerging markets forming the majority, at 54. Citibank said that 61 of the former group used the opportunity to raise a total of $8.2bn in new capital.

Mr James Donovan, managing director for depositary receipts at Citibank, said: "We expect to see strong deal-flow throughout the remainder of the year, particularly through privatisations." He said the pipeline for new deals had rebounded from last year's first half. Then, US investors' interest in international markets had been affected by the Mexican currency crisis. Investor interest in emerging markets had recovered, Citibank said. Ms Sandra Jaffee, of Citibank's worldwide services division, said: "We will see increasing levels of investment in many emerging markets as investors look outside the US for higher returns."

The most actively traded stock was Teléfonos de Mexico, (Telmex) with Royal Dutch Petroleum second. A total of 98 companies based in 40 different countries launched ADR programmes. Nine UK companies, the most from any one country, initiated ADR trading in their shares, while Hong Kong and Russia each had eight companies launching programmes.

*Maggie Urry, New York*

## Placer takes charge against spill

Vancouver-based Placer Dome will take a US$40m after-tax charge to cover potential liabilities stemming from an environmental accident at its 40 per cent-owned Marcopper mine in the central Philippines. The mine, with a milling capacity of 30,000 tonnes of copper ore a day, has been closed since March 24 after toxic waste began leaking into a nearby river, threatening water supplies to nearby communities. It is not expected to reopen before late this year.

Placer said that, as a result of the accident and the subsequent revocation of Marcopper's environmental compliance certificate, the mine may be unable to repay $31m in loans guaranteed by Placer, or $4m owing to the Canadian company. The provision also includes the estimated $15m cost of repairing a drainage tunnel through which the waste escaped. Placer said the charge "reflects our determination to carry through the necessary work despite Marcopper's current lack of cashflow. Given the importance we attach to our environmental record, we are prepared to go beyond our obligations as a 40 per cent shareholder".

*Bernard Simon, Toronto*

## BNP and Dresdner in Chile buy

Banque Nationale de Paris and Dresdner Bank have bought Crédit Lyonnais' 55 per cent stake in Chilean brokerage Crédit Lyonnais Valores. "Other projects are being studied which would strengthen BNP's Latin American network", either as a direct investor or via its collaboration with Dresdner Bank, BNP said.

*AFX News, Paris*

## ITT to upgrade casinos

ITT plans to spend more than $1.2bn revitalising its Caesar's Palace casinos. It is also expected to announce plans to spend another $1.2bn on new casinos in Atlantic City and Las Vegas, according to newspaper reports. The plans will add about 7,000 rooms to ITT's gaming properties.

*Reuter, New York*

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June 1996

$123,000,000

PLD
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123,000 Units consisting of
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# Packer sells holding in Village Roadshow

By Nikki Tait in Sydney

Mr Kerry Packer's Publishing & Broadcasting company (PBL) yesterday sold its 8 per cent stake in Village Roadshow, the Australian cinema and entertainment group, raising about A$88m (US$69.6m).

Half the stake will be absorbed by Village's two largest shareholders – the Kirby family's Village Roadshow Corporation, and the UK's United News and Media group. PBL's 4.7 per cent stake in Village Roadshow's preference shares was also sold.

The ordinary shares were sold for A$5.50. As a result of buying part of this holding, the Kirby family's stake will increase to 49.2 per cent of Village, while United News and Media's interest will rise from 17.5 per cent to 19.5 per cent, costing the UK company about A$22m. The remaining shares have been placed through the market.

Mr James Packer, son of the Australian businessman and now managing director of PBL, said the company had taken the view that shares in Village were tightly held and that "we are unable to obtain a bigger stake. It is not our policy to remain with minority interests", he said.

There have been close commercial links between Village – which operates cinemas in Australia and overseas, manages several theme parks in conjunction with Warner Brothers and is also involved in film production and distribution – and the Packer empire. The latter runs Australia's leading commercial TV network and is also involved with the Optus Vision cable consortium.

Two years ago, they formed a joint venture to develop indoor entertainment complexes, situated in shopping malls, both in Australia and in south-east Asia.

PBL said yesterday that the relationships in terms of the Village Nine Leisure joint venture, movie purchases and production, and the respective interests in Optus Vision's movie channel, would be maintained.

Village shares rose on the news, closing six cents higher at A$5.56.

Earlier this week, Village said it was "in active negotiations" over a possible cinema joint venture with the US-owned Warner Brothers operations in the UK and Germany. It has also been building up cinema interests in Asia and elsewhere in Europe.

# Foreign banks boost earnings in Taiwan

By Laura Tyson in Taipei

Pre-tax profits of foreign banks in Taiwan surged 58.8 per cent to T$6.74bn (US$243m) in 1995 from T$4.24bn a year earlier, buoyed by strong loan demand.

Citibank, the leading foreign bank in Taiwan, led the gains with pre-tax profits of T$3.18bn last year, up 75 per cent from 1994, the central bank said in its annual report.

Due to the US bank's aggressive expansion of its consumer banking business, and its strong position in other business areas, Citibank accounted for 47.2 per cent of total foreign bank profits.

Japan's Dai-Ichi Kangyo Bank recorded the second-highest pre-tax profits of foreign banks at T$731m, down 1.5 per cent from 1994, accounting for 10.8 per cent of foreign banks' earnings.

Last year's solid economic growth pushed combined assets of foreign banks in Taiwan up by 26.1 per cent from 1994 to T$603.1bn. Combined liabilities climbed 26.2 per cent to T$572bn, while combined net assets rose 23.6 per cent to T$31.1bn.

Banks that have launched credit cards in Taiwan, including Citibank, Standard Chartered Bank and Hongkong Bank, have benefited from a recent strength of the credit card market. Foreign bankers said the performance this year would probably not be as good as last year because of a slow-down in economic growth during the first quarter of 1996.

By the end of 1995, 38 foreign banks had branches in Taiwan, some with more than ooe branch. The total number of foreign bank branches stood at 59, the report said.

● Taiwan Glass Industrial, the island's leading glass maker, recorded a 39 per cent net profit gain in the first five months to T$1.4bn from a year ago. It attributed the increase to continued capacity expansion. Revenues advanced to T$4.57bn, up from T$4.14bn last time.

## NEWS DIGEST

# Investec buys stake in Israeli bank

Investec Bank Limited, the South African holding company of London-based Allied Trust Bank and Clive Discount Company, is set to take control of Israel General Bank, Israel's eighth largest bank. The South African independent announced yesterday it had beaten five smaller rival contenders to acquire a 53 per cent controlling stake in the Israeli bank from Baron Edmond de Rothschild.

Investec and its subsidiaries will pay about $48.3m for the bank, subject to approval from the South African Reserve Bank and the Bank of Israel. The acquisition would expand Investec's international private banking, foreign exchange and investment management businesses. The move follows Investec's acquisition four months ago of Casenove Money Brokers, which is being integrated with Clive Discount, and its purchase of Allied Trust in 1991.

Mr Hugh Herman, Investec chairman, said the group would continue to widen its range of activities but placed particular emphasis on the development of its international securities business. The expatriate South African population in Israel was a natural market for Investec, and was likely to drive an increase in volumes of South African-Israeli trade. Investec would open an Israeli desk in London. The purchase includes Israel General Bank's subsidiaries, notably a trust company, a portfolio management company and an investment banking group. *Mark Ashurst, Johannesburg*

# Consolidated Rutile upbeat

Consolidated Rotile, the minerals sands group whose pareot company, Cudgen RZ, is facing an A$80m (US$63.28m) bid from Renison Gold Fields, expects to make a "substantially bigber" profit in 1995-96. It said yesterday the figure was likely to be around A$17m after tax, against A$12.3m the previous year. This does not include its share of losses from the 50 per cent-owned joint venture in Sierra Leone. Cudgen has rejected the Renison bid, saying it does not reflect any premium over the stockmarket value of CRL, which is Cudgen's main investment. *Nikki Tait, Sydney*

# Fairfax chief quits

John Fairfax, the Australian newspaper group, yesterday announced Mr Bob Mansfield, its former chief executive, had formally resigned as a director of the company. The announcement came amid speculation that Fairfax directors were considering appointing Mr Bob Muscat as Mr Mansfield's successor. Mr Muscat is chief operating officer of News Limited, the Australian arm of Mr Rupert Murdoch's News Corporation group. Mr Mansfield quit as chief executive in April after only four-and-a-half-months in the job, but agreed to stay on for three months. *Nikki Tait*

# Deutsche Bank in Singapore move

Deutsche Bank's new investment arm, DB Fund Management (DBFM), had been granted a licence to manage investment portfolios and provide investment advice in Singapore. It said that DBFM would target its range of products at investors who intend to diversify their portfolios by investing in Asian bond and stock markets.

The first fund to be managed by DBFM, the DB Dragon Bond Fund, will invest primarily in shorter-term Asian bonds in local or US currencies. The DB Dragon Bond Fund has already attracted a fund volume of US$50m, the statement said. *Reuter, Singapore*

# FirstCorp fund prepares for SA corporate shake-up

By Mark Ashurst in Johannesburg

FirstCorp Capital Investors, a subsidiary of South Africa's First National Bank group specialising in private equity fund management, has raised $170m on the strength of investor expectations of a profound restructuring in the corporate sector.

The funding package indicates that investors expect a lucrative shake-out in the country's tightly-controlled corporate sector, despite fierce resistance from organised business to the threat of legislation that could penalise the biggest conglomerates.

"We believe there is a move towards decentralisation of the ecooomy, facilitated by black economic empowerment. We expect more unbundling, slow but sure moves towards privatisation, and antitrust laws," said Mr Andre Roux, chief executive.

FirstCorp is banking on a wave of management buy-outs and equity transfers as South Africa's biggest private and public sectors react to new competitors in their markets and a more liberal trade regime.

It will draw on the $170m fund to take "significant minority stakes or controlling stakes" in selected companies to promote management ownership, black empowerment and expansion projects, or to replace capital where existing sbareholders wisb to withdraw.

Local institutions contributed 25 per cent of the total fund, while about 40 per cent came from foreign sources. These include the New York State Common Retirement Fund, the California Public Employees' Retirement Fund and "some UK institutions".

Mr Trevor Manuel, finance minister, confirmed his commitment to a stronger competition pobcy wheo he unveiled the government's long awaited macroeconomic framework document earlier this month.

Its main aim, he said, would be "to encourage competition among firms, protect consumers and downstream firms from restrictive practices, and to open up new opportunities for investment".

Analysts were confident this could be achieved without renewed confrontation between the government and business over legislative reforms.

"This economy is going to become more efficient, and more decentralised. Many illogicalities were forced on this economy in the past, partly because of exchange controls and partly because of our attempts at self-sufficiency," said Mr Rudolf Gouws, economist at Rand Merchant Bank and chairman of lobby group Business South Africa's standing committee on economic policy.

South Africa's fledgling private equity industry invested between R500m and R750m ($115m-$170m) last year. But analysts believe the abolition of exchange controls will trigger a surge in business as industrial reorganisation and political pressures challenge the concentration of ownership.

Trevor Manuel: committed to policy of competition *Reuter*

# Taiwan Pulp sees loss of T$274m as prices fall

Taiwan Pulp & Paper expects a 1996 pre-tax loss of T$274m (US$9.9m) due to declines in pulp prices on international markets. In 1995 the company recorded pre-tax profit of T$760m, agencies report from Taipei.

Tbe company said pulp prices started falling late last year and since tben, revenue bad failed to narrow an increasing gap between falling prices and production costs.

Taiwan Pulp also said that it bad applied to the Securities and Exchange Commission to launch a rights issue, which is expected to raise T$965m for investments in Vietnam.

This week the company announced that it was considering building a A$1.1bn pulp mill in Tasmania. Mr Tony Rundle, Tasmanian prime minister, said a two-year study would look into the feasibility of building a mill that would produce 420,000 tonnes of pulp annually. Taiwan Pulp & Paper has said it would want partners to share the cost.

# European expansion for CCA

By Nikki Tait

Coca-Cola Amatil, tbe Australian-based soft drinks bottler whose interests are spread between Australasia, soutb-east Asia and Europe, has strengthened its coverage in eastern Europe by buying further bottling operations in Austria and Poland.

The operations, based around Innsbruck and Linz in Austria and Lodz in Poland, are being bought from Oesterreichische Brau-Beteillgung (BBAG), a leading Austrian brewing group. These acquisitions will mean that CCA has complete coverage in both countries.

The Austrian operations have a franchise territory of 1.7m people, or about 25 per cent of the country, while the Lodz-based franchise covers around 3.4m people. This is equivalent to about 9 per cent of the Polish population.

CCA yesterday declined to give details of tbe purchase price. However, the company said that the Polish operation – althougb covering a larger population area – only ran at "about break-even", while the Austrian business was profitable.

It said the deal would have an "insignificant impact" on its 1996 profits, altbougb it should deliver a positive profit contribution once the potential synergies witb existing operations were realised.

The deals are still subject to regulatory approvals. CCA estimated that these would take about one montb in Austria and perbaps twice as long in Poland.



Prices for electricity confirmed for the purposes of the electricity pooling and settlement arrangements in England and Wales.

| Half hour period ending | Provisional Prices for Trading on [illegible]: Pool purchase price £/MWh | Final Prices for Trading on [illegible]: Pool purchase price £/MWh | Pool selling price £/MWh |
|---|---|---|---|
| 0030 | 12.25 | 8.32 | 9.57 |
| 0100 | 8.94 | 8.32 | 9.57 |
| 0130 | 8.94 | 8.32 | 9.57 |
| 0200 | 8.93 | 8.91 | 8.91 |
| 0230 | 8.93 | 8.91 | 8.91 |
| 0300 | 8.93 | 8.32 | 9.57 |
| 0330 | 8.93 | 8.32 | 9.57 |
| 0400 | 8.93 | 8.32 | 9.57 |
| 0430 | 8.93 | 8.32 | 9.57 |
| 0500 | 8.91 | 8.32 | 9.57 |
| 0530 | 8.90 | 8.91 | 8.91 |
| 0600 | 8.91 | 8.71 | 8.81 |
| 0630 | 8.91 | 8.82 | 8.92 |
| 0700 | 16.39 | 16.49 | 17.73 |
| 0730 | 16.97 | 12.56 | 13.79 |
| 0800 | 18.77 | 17.71 | 18.92 |
| 0830 | 21.24 | 18.29 | 19.53 |
| 0900 | 28.57 | 18.41 | 19.66 |
| 0930 | 40.87 | 19.70 | 20.95 |
| 1000 | 43.96 | 19.70 | 20.95 |
| 1030 | 45.57 | 19.70 | 20.95 |
| 1100 | 48.15 | 19.70 | 20.95 |
| 1130 | 49.84 | 19.71 | 20.95 |
| 1200 | 73.43 | 19.71 | 20.96 |
| 1230 | 72.04 | 19.71 | 20.95 |
| 1300 | 65.10 | 19.70 | 20.95 |
| 1330 | 35.82 | 18.76 | 20.01 |
| 1400 | 25.38 | 18.41 | 19.66 |
| 1430 | 22.20 | 18.31 | 19.56 |
| 1500 | 21.03 | 18.31 | 19.56 |
| 1530 | 20.06 | 18.31 | 19.56 |
| 1600 | 19.83 | 18.31 | 19.56 |
| 1630 | 20.21 | 18.31 | 19.56 |
| 1700 | 20.41 | 18.31 | 19.56 |
| 1730 | 19.77 | 31.48 | 32.73 |
| 1800 | 18.78 | 27.50 | 28.74 |
| 1830 | 17.81 | 16.92 | 18.16 |
| 1900 | 17.28 | 16.79 | 18.03 |
| 1930 | 17.09 | 16.66 | 17.90 |
| 2000 | 16.86 | 16.58 | 17.83 |
| 2030 | 16.41 | 16.58 | 17.83 |
| 2100 | 16.41 | 12.55 | 13.80 |
| 2130 | 12.44 | 26.98 | 28.23 |
| 2200 | 20.80 | 26.98 | 28.23 |
| 2230 | 20.80 | 26.98 | 28.23 |
| 2300 | 20.80 | 26.98 | 28.23 |
| 2330 | 12.44 | 12.55 | 13.79 |
| 2400 | 12.44 | 8.01 | 9.26 |

Prices are determined for every half-hour of each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg [illegible] becomes [illegible]. Provision for the determination of pool prices is made in the Pooling and Settlement Agreement which governs the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the products of which is subject to revision or correction [illegible] until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is available on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone [illegible] between 8.30am and 5.15pm Monday to Friday.
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*Expressions of interest are invited from leading investors*, banks and property companies in 'Project PRIME' a major opportunity to establish a long term partnership with the Department of Social Security (DSS) which is the branch of the UK Government *responsible* for delivering the Social Security benefit programme in the UK. The Department employs some 95,000 staff and has a total annual expenditure budget of approximately £85,000 million ($US128,350 million).

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The transaction will be conducted under the UK Government's Private Finance Initiative. Serious respondents must demonstrate the financial resources, experience and *long term strategic approach* appropriate to a *transaction of* this size and complexity. A briefing day will be held in London on 8th July 1996.

For further information, including a briefing document and a questionnaire, please telephone Sarah Baker on (+44) 171 387 0458 or fax on (+44) 171 387 1368.

Deloitte & Touche Consulting Group

PRIME

Department of Social Security

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≷ British Rail

## The Sale of Opal Engineering Limited

British Railways Board (BRB) invites organisations to register their potential interest in purchasing Opal Engineering Limited (Opal), a subsidiary company within BRB. This is an opportunity to acquire a business with established customer relationships and a variety of specialist skills in signalling and telecommunications. Unaudited turnover for the 12 months ended 31 March 1996 was £11.8m.

Opal provides technical and consultancy services in many areas of signalling and telecommunications relating to the safe and efficient operation of the railway. These services include:

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- Telecommunications consultancy services.

The staff at Opal have considerable experience and expertise in the practical safety issues associated with working on a live railway, and an in-depth understanding of the complex interaction between technical and operational activities.

Opal, which has its headquarters in Paddington and operational units in Birmingham, Crewe, Reading, Stratford, Waterloo and York, had 178 staff at 31 March 1996.

Further information about the business and the sales process will be made available to appropriate enquirers, subject to a confidentiality undertaking.

*This advertisement is issued by the British Railways Board and has been approved solely for the purpose of Section 57 of the Financial Services Act 1986 by Price Waterhouse who are financial advisers to BRB. Price Waterhouse is authorised by the Institute of Chartered Accountants in England and Wales to carry on investment business.*

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## Private Power & Infrastructure Board Government of Pakistan

## Railways Open Access Policy

Under the Open Access Policy Framework and Package of Incentives for Private Sector Development of Freight Train Operations in Pakistan, approved by the Government, the Private Power & Infrastructure Board invites companies having the necessary background and experience of modern heavy haul freight train project implementation and operation to register their interest.

The opportunity now exists for a private railway freight operating company to transport Residual Fuel Oil, over Pakistan Railways track, from Pipri, (Karachi) to seven new power plants commencing at the beginning of July 1997. The successful company will purchase track access from PR and secure its income through a long-term Fuel Transportation Agreement with the Pakistan State Oil Company Limited. The Government of Pakistan will guarantee the contractual obligations of both PR and PSO as well as granting incentives to the new company. The Government of Pakistan has also requested the World Bank to provide a partial risk guarantee of its contractual obligations in favour of senior commercial debt to the private operator.

The successful company will be responsible for arranging the required financing to provide an adequate amount of reliable railway equipment, appropriate maintenance facilities and sufficient competent staff to guarantee long term security of supply of fuel oil to the power plants. Initial volume is 1.78 million tonnes per annum (mtpa) over an average route length of 980 km with gross train weights exceeding 4,000 tonnes. The opportunity exists to expand traffic volumes for oil and into other railway freight traffic such as intermodal contaioers, perishable goods and bulk materials of all kinds including solids, liquids and gases.

Those interested in submitting proposals must register with the PPIB by payment of a non-refundable registration fee of US$1,000 (Rs. 35,000/-) in order to obtain a Request for Proposal document package comprising an Application Form and other relevant documents. This package will be available from PPIB as of 16th June 1996.

A pre-bid meeting will be held in Islamabad oo 9th July, and proposals must be submitted at PPIB offices by 12:00 noon on 15th August 1996.

Government of Pakistan
Ministry of Water and Power
Private Power & Infrastructure Board
House No. 50 Nazimuddin Road
Sector F-7/4, Islamabad, Pakistan
Tel: (+92-51) 9201848, 9206357, 214731, 222378
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## REPUBLIC OF POLAND

### Minister of Privatisation

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hereby invites to negotiations any parties interested in purchase of shares of the company:

### ZAKŁADY STARACHOWICKIE "STAR" Spółka Akcyjna

The hereto invitation concerns the sales of at least 10% of shares but up to the amount of 46,6% of the stock capital, decreased by: number of shares purchased by the company's employees within the packet of 20% of shares offered to the employees on preferential basis according to the art. 24 of the Law on privatisation of the state-owned companies and 5% of shares reserved by the State Treasury on reprivatisation purposes according to the Directions of the Cabinet No. 86 from October 4, 1993.

The parties interested in purchase of the company's shares and obtaining Information Memorandum should contact:

Lidia Brauza - Marek
Doradztwo Godspodarcze - Andrzej Głowacki S.A.
60-529 Poznan, ul. Dabrowskiego 81/85
tel. 470-851 ext. 489 tel/fax 470-896

Initial offers for purchase of the Company's shares should be submitted personally at the head-office of the Ministry of Privatisation, Warsaw, ul. Krucza 36, room no 471 until 30.07.1996; 3.00 pm.

The Ministry of Privatisation reserves the right to cancel the invitation without expressed reasons, change the sales procedures or the term for submission of offers.

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## HOLDENE GROUP PLC

**(In Administrative Receivership)**

R Marsh, the Joint Administrative Receiver, offers for sale the businesses and assets of this computer systems integrator and hardware distributor, with the following features:

- Specialises in Microsoft NT/SMS, training and support/maintenance
- Systems reseller for Compaq, Hewlett Packard etc.
- 'Blue chip' customer base
- Annual turnover of £14m
- Northern based with southern branch
- 100 employees

Interested parties should telephone:
**Roger Marsh or Matthew Wilde.**
**Price Waterhouse,**
**Leeds.**
**Tel: 0113 244 2044. Fax: 0113 245 8605.**

Price Waterhouse

This advertisement has been approved by Price Waterhouse, a firm authorised to carry on investment business by the Institute of Chartered Accountants in England and Wales.

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PKF worldwide

## Rees Construction Services Ltd

*(In Administrative Receivership)*
**Aldershot, Hampshire**

The Joint Administrative Receivers Fred Satow and John Alexander offer for sale the business and assets of Rees Construction Services Ltd as a going concern. The company specialises in all aspects of no-dig sewer renovation and rehabilitation.

- **Turnover £2.5m**
- **Nationwide customer base, including local authorities and water companies**
- **Substantial order book**
- **Skilled work force**
- **ISO 9001**

*For further details please contact Fred Satow or Caroline Stark at Pannell Kerr Forster New Garden House 78 Hatton Garden London EC1N 8JA*
*Fax: 0171 404 8109*

*Pannell Kerr Forster are authorised by the Institute of Chartered Accountants in England and Wales to carry on investment business*

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## APPOINTMENTS WANTED

### SPECIALIST PRIVATE BANKER

As a Specialist Private Banker with this leading international investment company you will be responsible for improving client relationship and increasing revenues by providing solutions to clients' financing, hedging, risk management and business related requirements, focusing on India, Asia and the Middle East. Applicants, aged 35-40, educated to MBA standard and with minimum 10 years' commercial banking experience should have knowledge and contacts in India, Asia and the Middle East and the experience necessary to initiate and develop client relationships. In depth knowledge of major international financial institutions and banks, the ability to structure complex deals and fluency in several Indian languages essential. Salary negotiable.

**Please write in strictest confidence, enclosing full curriculum vitae, to Box A5899, Financial Times, One Southwark Bridge, London SE1 9HL**

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## LEGAL NOTICES

The High Court

IN THE MATTER OF ANGLO IRISH BANK CORPORATION PLC

and

IN THE MATTER OF THE COMPANIES ACTS 1963-1990

NOTICE OF PETITION

NOTICE IS HEREBY GIVEN that a Petition presented to the High Court of Ireland on the 14 day of June 1996 for an Order confirming the cancellation of IR£30,000,000.00 of the balance standing to the credit of the Share Premium Account, and that such amount be transferred to a non-distributable capital reserve against which any goodwill or any excess of the cost of any acquisition over its underlying net asset value may be written-off in accordance with accepted accountancy practice, is directed to be heard before the High Court of Ireland on the 8 day of July 1996 at 11.00 o'clock in the forenoon at the Four Courts, Inns Quay, Dublin 7.

Dated 26 June 1996.

Signed:

WILLIAM FRY
Solicitors
Fitzwilton House, Wilton Place
Dublin 2

No [illegible] of 1996

IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
COMPANIES COURT

IN THE MATTER OF GETTY COMMUNICATIONS LIMITED

- and -

IN THE MATTER OF THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that an Order of the High Court of Justice, Chancery Division dated the 19th June 1996 confirming the reduction of the amount standing to the credit of the share premium account of the above named Company was registered by the Registrar of Companies on the 21st day of June 1996.

Dated the 28th day of June 1996

CLIFFORD CHANCE
200 Aldersgate Street
London EC1A 4JJ
Ref: KO
Solicitors to the Company

No. [illegible] of 1996

IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
COMPANIES COURT

IN THE MATTER OF HANSON OVERSEAS HOLDINGS LIMITED

- and -

IN THE MATTER OF THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that a Petition was on 29th May 1996 presented to Her Majesty's High Court of Justice for the confirmation of the cancellation of the Share Premium Account of the Company amounting to £12,994,946,633.

AND NOTICE IS FURTHER GIVEN that the said Petition is directed to be heard before the Registrar of the Companies Court at the Royal Courts of Justice, Strand, London WC2A 2LL on 10th July 1996.

ANY creditor or shareholder of the said Company desiring to oppose the making of an Order for the confirmation of the said cancellation of the Share Premium Account should appear at the time of hearing in person or by Counsel for that purpose.

A copy of the said Petition will be furnished to any such person requiring the same by the under mentioned solicitors on payment of the regulated charge for the same.

Cameron of 32 Tudor Street, London EC4Y [illegible]
Solicitors for the above named Company
Tel: 0171 583 7771
Ref: [illegible]

No. [illegible] of 1996

IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
COMPANIES COURT

IN THE MATTER OF WEMBLEY plc

- and -

IN THE MATTER OF THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that an Order of the High Court of Justice, Chancery Division dated the 19th June 1996 confirming the reduction of capital, cancellation of capital redemption reserve and reduction of the amount standing to the credit of the share premium account of the above named Company was registered by the Registrar of Companies on the 20th day of June 1996.

Dated the 28th day of June 1996

CLIFFORD CHANCE
200 Aldersgate Street
London EC1A 4JJ
Ref: KO
Solicitors to the Company

## COMPANY NEWS: UK

Chemist halves its cash pile, leaving money for bolt-on acquisitions and investment

# Boots in £300m buy-back

By Roderick Oram, Consumer Industries Editor

Boots halved its cash pile yesterday buying back about 5 per cent of its equity for £300m, but leaving itself money for bolt-on acquisitions for its healthcare business and investment in its retail chains.

Its offer to buy 51.36m shares at up to 580p was quickly over-subscribed by institutional shareholders. The shares closed down 1p at 580p. The purchase should enhance Boots' earning per share by several percentage points and therefore bolster the share price, analysts said.

Boots suffered the opposite when it bought 9.2 per cent of its equity for £508m in November 1994. Then, its share price fell 10 per cent and took more than five months to recover.

With yesterday's offer open only briefly, few private shareholders would have had a chance to sell shares. Boots said, however, they would benefit from the improved earnings per share.

"This is the best way we can think of rewarding small shareholders," said Mr David Thompson, finance director. Small investors could sell any-time, whereas institutions with large holdings needed mechanisms such as buy-backs to help them sell. Moreover, a special dividend was an inappropriate alternative way to return cash to small shareholders, because it created an extra tax liability for them.

The company had said at its preliminary results three weeks ago, that it was considering ways of returning cash to shareholders. It had net cash of £526m at the March year-end and subsequently received £62.5m from selling its Children's World chain to Storehouse, and £73m as a final payment from BASF for Boots' pharmaceutical business.

Boots said the buy-back would help it make better use of its balance sheet: it will save on dividend payments and debt is cheaper to service than equity.

It said it was left with ample resources to expand with bolt-on acquistions for Boots Healthcare International, its non-prescription manufacturing arm, and to develop its retail chains.

The main chain is Boots the Chemist, the high street pharmacist, generating high operating margins. It also has Halfords for car accessories, Fads and Homestyle for home decoration and Do-It-All for do-it-yourself products.

## RESULTS

| | | Turnover (£m) | | Pre-tax profit (£m) | | EPS (p) | | Current payment (p) | Date of payment | Corresponding dividend | Total for year | Total last year |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | Dividends | | | | |
| Alba | Yr to Mar 31 | 169.2 | (154.8 ) | 10.4 | (8.64 ) | 17.02 | (14.64 ) | 4.75 | Oct 28 | 4.2 | 6 | 5.3 |
| Allen | Yr to Mar 31 | 109 | (106.5 ) | 7.86 | (6.2 ) | 18.63 | (13.71 ) | 4.15 | July 26 | 3.5 | 6.65 | 5.5 |
| Artesian Estates | Yr to Mar 31 | 2.35 | (3.64 ) | 0.12 | (0.565 ) | 0.5† | (4.87 ) | 0.75 | - | 1.5 | 1.5 | 1.5 |
| Asda | Yr to Apr 27 | 6,531 | (5,863 ) | 311.5 | (257.2▼) | 7.96 | (6.16 ) | 1.93 | Oct 2 | 1.59 | 2.65 | 2.2 |
| BPB Inds | Yr to Mar 31 | 1,428 | (1,328 ) | 161.1♠ | (163.3♠) | 20.5 | (22 ) | 6.35 | Aug 23 | 5.9 | 9.7 | 9 |
| Cardinal Business | Yr to Dec 31 | 32.8 | (18.1 ) | 1.94♠ | (1.21L♠) | 7.4L | (8.9L ) | nil | - | nil | nil | nil |
| Crest Nicholson | 6 mths to Apr 30 | 132.4 | (125.4 ) | 2.21 | (0.128 ) | 0.42 | (0.34L ) | 0.6 | Oct 1 | 0.6 | - | 2 |
| Ballywin | Yr to Mar 31 | 30.4 | (28.1 ) | 2.3 | (2.26 ) | 16.54 | (18.6 ) | 4.5 | - | 1 | 7.5 | 7 |
| Dart | Yr to Mar 31 | 69 | (58.3 ) | 3.6 | (2.96 ) | 14.6 | (13.4 ) | 4 | Aug 29 | 3.1 | 5.9 | 4.8 |
| Falcon | Yr to Mar 31 | 6.97 | (6.07 ) | 0.646▼ | (0.167 ) | 23.2 | (5.5 ) | 3.5 | Aug 7 | 2 | 8 | 4.5 |
| Faupel Trading | Yr to Mar 31 ★ | 24.5 | (27 ) | 0.383♠ | (1.09 ) | 2.3 | (6.26 ) | 1.2 | Sept 4 | 3.05 | 1.9 | 4.9 |
| Fletcher King | Yr to Apr 30 | 4.76 | (4.09 ) | 0.294 | (1.03L ) | 2.3 | (10.1L ) | 1 | Oct 1 | 0.5 | 1.5 | 1 |
| Fyffes ‡ | 6 mths to Apr 30 | 600.1 | (535.5 ) | 26.8 | (17.8 ) | 3.21 | (3.05 ) | 0.5196 | - | 0.4724 | - | 1.6674 |
| Hardys & Hansons | 6 mths to Mar 28 | 16.3 | (16.5 ) | 3.82 | (3.93 ) | 10.221 | (10.515) | 3.6 | Aug 5 | 3.7 | - | 10.1 |
| Ideal Hardware | Yr to May 3 | 138.2 | (102.3 ) | 7.64 | (6.11 ) | 24.7 | (19.6 ) | 6.6 | Aug 6 | 5.2 | 10.8 | 8.6 |
| Jones & Shipman | Yr to Mar 31 | 19.4 | (15.4 ) | 1.73 | (0.24L♠) | 6.2 | (0.8L ) | 1 | Aug 23 | nil | 1 | nil |
| Kewill Systems | Yr to Mar 31 | 35.2 | (33.7 ) | 6.06 | (5.07 ) | 33.7 | (28.4 ) | 5 | Oct 1 | 4 | 6 | 6.5 |
| Magnum Power § | Yr to May 31 | 0.63 | (0.11 ) | 3.16L | (2.34L ) | 7.13L† | (5.92L ) | - | - | - | - | - |
| Man (ED&F) | Yr to Mar 31 | - | (- ) | 81.1 | (78.3 ) | 21.4† | (21.6 ) | 6.9 | Sept 3 | 3.2 | 10.1 | 9.6 |
| Metrotect Inds | Yr to Mar 31 | 13.4 | (13.6 ) | 0.108 | (0.824♠) | 0.43 | (2.58 ) | 0.25 | Aug 15 | 0.35 | 0.7 | 1.5 |
| ML Holdings | Yr to Mar 31 | 110.6 | (104.8 ) | 11.3♠ | (5.78 ) | 7.9L | (3 ) | 1.05 | Oct 2 | 0.95 | 1.4 | 1.25 |
| Neepsend | Yr to Mar 31 | 25.8 | (20 ) | 1.87 | (1.27 ) | 5.5 | (3.9 ) | 1.2 | Oct 15 | 1 | 1.8 | 1.5 |
| Panther Secs | Yr to Dec 31 | 6.3 | (3.89 ) | 1.11 | (1.73▼) | 5.2† | (7.2 ) | 1.7‡‡ | July 31 | 1.6 | 3 | 2.7 |
| Pelican | Yr to Mar 31 | 82.1 | (31.8 ) | 7.51 | (4.11 ) | 7.53† | (4.86 ) | 1.35 | Sept 5 | 1 | 2 | 1.5 |
| Quillpott § | Yr to Mar 31 | 12.3 | (13.6 ) | 0.676L♠ | (0.788L♠) | 1.51L | (1.88L ) | nil | - | nil | nil | nil |
| Securicor | Yr to Mar 31 # | 612.2 | (473.3 ) | 47.6♠ | (47.6 ) | 5.1 | (5.1 ) | 0.354 | Sept 30 | 0.316 | - | 1.332 |
| Vega | Yr to Apr 30 | 16 | (12.5 ) | 3.45 | (2.81 ) | 16.16 | (13.49 ) | 3.5 | Sept 6 | 2.8 | 5.25 | 4.2 |
| Yates Bros | Yr to Mar 31 | 61.2 | (53.8 ) | 7.48 | (5.11 ) | 14† | (9.6 ) | 2.4 | Aug 27 | 2 | 3.6 | 3 |

| Investment Trusts | | NAV (p) | | Attributable Earnings (£m) | | EPS (p) | | Current payment (p) | Date of payment | Corresponding dividend | Total for year | Total last year |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Murray Split | 9 mths to May 31 | 228.6 | (213.5♠) | 0.731 | (0.869 ) | 9.14 | (8.37 ) | 2.75‡ | Oct 3 | 2.65 | - | 10.85 |
| Scudder Latin Am | Yr to Apr 30 | 93.12 | (71.2 ) | 11.4 | (12.3L ) | 22.67 | (24.56L) | 0.75 | Sep 30 | 0.5 | 0.75 | 0.5 |

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. ♠After exceptional charge. ▼After exceptional credit. †On increased capital. ★Comparatives restated. ‡Irish currency. §USM stock. #Comparatives pro forma. ‡‡Excludes 2p special interim. ♠At August 31. ‡Third interim; makes 8.25p to date.

# Asda beats rivals with 12% rise in like-for-like sales

By David Blackwell

Asda, the supermarkets chain, continued to outperform its competitors last year, lifting like-for-like sales by just over 12 per cent without the help of a loyalty card scheme.

Profits before tax and exceptional items for the year to April 27 were 24 per cent ahead at £304.8m, against £246.2m – at the top end of expectations. However, the shares shed 4p to close at 114p. Analysts suggested that investors had taken profits, partly because they had become used to Asda exceeding expectations.

Operating profits in the Asda stores were 27 per cent higher at £312.8m, on the back of a 14 per cent sales rise to £6bn. Mr Archie Norman, chief executive, said: "By any standards, in a relatively mature industry this was a satisfactory performance."

'I would rather give value for money in low prices. Our basic philosophy is value today'

The group is experimenting with a loyalty card scheme at 18 of its 207 stores. Mr Norman pointed out that the number of customers passing through the stores rose 10 per cent last year, and described loyalty cards as a defensive measure aimed at retaining existing customers. "I would rather give value for money in low prices," he said. "Our basic philosophy is value today."

The group was trying to create a different shopping style in its supermarkets, which are larger than its main competitors, with an average of more than 40,000 sq ft. It treated packaged groceries as commodity goods, accepting 5 per cent margins compared with the 7 per cent plus of Sainsbury and Tesco.

Asda was also driving up volumes in bakery and fresh meat, which had higher gross margins, but were also labour intensive. Fresh meat and poultry sales rose 12 per cent, with market share 17 per cent ahead.

The group had also increased sales of music and videos to £100m, and was now the fifth largest retailer in this field, close behind WH Smith.

Clothing sales, through the George brand, were disappointing early in the year, but since autumn double-digit sales growth had returned, and the ambition was to drive the brand into second place behind Marks and Spencer's St Michael.

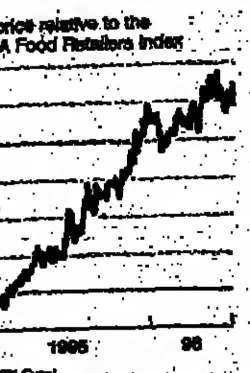
While petrol sales had proved profitable, the forecourts were now being treated as a profit-free zone following the price war.

During the period seven new stores were opened, and a further eight are planned to open this year, creating 3,000 jobs. A further £24m has been invested in information technology.

Earnings per share rose from 6.16p to 7.96p. The board is proposing to raise the final dividend to 1.93p, lifting the total for the year 20 per cent to 2.65p (2.20p).

## LEX COMMENT

# Asda



Source: FT Extel

In the battle to fill Britain's trolleys, Asda has again proved a winner. Like-for-like sales in the last financial year grew 12 per cent, well ahead of its main rivals; meanwhile earnings per share shot up 31 per cent. Asda's so-called "break-out" strategy, which aims to differentiate the supermarket chain from the pack, appears to be working. Almost all the product categories it is pushing – books, music, meat, fruit and fresh bread – showed double-digit growth. Only clothing disappointed, though even its performance picked up in the second half.

How does Asda do it? There are three main ingredients. First, it has greater scope to sell a broader range of products than its rivals because its stores are, in general, bigger. Second, its focus on employee motivation seems to be paying off in better customer service. Third, it gets masses of free publicity by conducting high-profile consumer campaigns, like backing British beef and attacking price-fixing in books and over-the-counter drugs.

Why then did the market give such a sniffy response to Asda's results, marking the shares down 3.4 per cent? Part of the answer is that Asda only came in at the top of expectations, whereas normally it beats them. But the main reason is that earnings growth this year will be pedestrian compared with Asda's recent past, as a result of higher taxes, depreciation and interest payments. That said, Asda is still rated roughly in line with its peers. Given that its strategy for outstripping them does not seem to have run its course, there is a case for a modest premium.

# ED&F Man edges up 4% on strong sugar performance

By Jane Martinson

ED&F Man Group, the commodity trading and financial services group, committed itself to the "long-haul" as a public company, as it announced a 4 per cent increase in pre-tax profits to £81.1m.

Mr Andrew Sutton, finance director, said the group, which floated nearly two years ago, was now "comfortable with public company status". Six months ago, the group appeared to suggest that it might consider delisting if its share price did not improve.

However, after changing its broker in the past few months and marketing its products, the group believes it is winning the battle to explain its complicated mix of businesses.

However, in spite of the profits rise and a better-than-expected dividend increase of 5 per cent, the shares fell 1p to 174p yesterday, 6p lower than the flotation price.

The group has also promised an annual report which "brings more clarity" to its businesses next month.

The strongest growth came from the group's sugar division where increased demand in emerging markets, including the former Communist states of eastern Europe, helped lift pre-tax profits 22 per cent to £45.5m.

Agricultural products in total contributed £60.8m to pre-tax profits in the year to March 31.

Profits were depressed by a £10m loss caused by stiff competition in the Australian sugar market. This was offset by a £8m gain from the settlement of a legal claim in Brazil.

Increasing deregulation in sugar and molasses markets would spur growth, said Mr Harvey McGrath, managing director. The group is interested in further acquisitions or joint ventures in developing markets in Asia.

Pre-tax profits at the brokerage business rose 9 per cent to £11.1m, helped by acquisitions and a broader product mix. Better fund management saw pre-tax profits in the asset management business rise 8 per cent to £14.2m.

Group trading profit rose 12 per cent to £267.4m, while operating expenses rose 15 per cent to £168.6m. Net debt rose £233m to £738m, lifting gearing to 251 per cent. The group said it would be happy to see gearing increase to 300 per cent to fund acquisitions.

# Mobile telephone shares hit by Cellnet

By Geoff Dyer

Shares in Securicor, the security, distribution and communications group, fell 10 per cent after it disclosed lower than expected profits at Cellnet, the mobile telephone network in which it has a 40 per cent stake.

The 28p fall in the shares to 245p, which followed a 14p drop on Wednesday, was also related to a £4m provision for bad debts at Securicor Cellular Services, the group's mobile telephone services subsidiary.

Securicor reported flat pre-tax profits of £47.6m for the six months to March 31, after a net exceptional charge of £3.4m. Cellnet's contribution increased to £35.2m (£33m); however, this was below the £37.6m achieved in the previous six months.

The network was hit by price competition, the costs of shifting to a digital infrastructure and fewer new subscribers over Christmas.

Cellnet was also affected by a 3 per cent rise in the churn rate – the proportion of subscribers leaving the network. The cost per new subscriber rose from £136 to £161.

The news about Cellnet prompted falls in stocks within the sector.

British Telecommunications, which owns the other 60 per cent of Cellnet, closed 6½p down at 344p, while Orange shares fell 7p to 223½p.

However, Mr Roger Wiggs, chief executive, expressed confidence about Cellnet's prospects.

"There is only 9 per cent market penetration in the UK, which still leaves huge potential for growth," he said.

Securicor, which this year simplified its shares into one class, increased operating profits 14 per cent to £57.2m (£50.1m) in the first half.

Group turnover increased 29 per cent to £612.1m.

See Lex

# BPB slips after poor winter and slowdown

By Andrew Taylor, Construction Correspondent

Poor winter weather and a slowdown in northern European construction markets lay behind a marginal decline in pre-tax profits at BPB Industries, the region's largest plasterboard maker. They declined from £163.3m to £161.1m in the 12 months to the end of March.

The group, which supplies half of Europe's sales, said markets had improved since March. It was too early to say, however, if this was simply a catch-up after the severe winter which had disrupted construction work. BPB's shares rose 3½p to 308½p.

Increases in volume sales in the first half of last year were mostly wiped out in a difficult second half, said Mr Jean-Pierre Cuny, chief executive.

BPB was further strained by being unable to pass on all of increased raw material costs in higher prices to customers. Operating margins had slipped from 12.1 per cent to 11.2 per cent, and had touched 10.3 per cent in the second half.

The price of waste paper had fallen since peaking last summer which would help reduce costs and margin recovery said Mr Cuny.

The European plasterboard market is dominated by three suppliers, BPB, Lafarge Coppee of France and Knauf of Germany, which in the early 1990s embarked on a debilitating price war. Mr Cuny rejected the idea that further skirmishes were likely to break out over new plants being opened in Germany by BPB and Lafarge, which he admitted could lead to a temporary capacity surplus of about 20 per cent in the country.

Group turnover helped by price increases rose 7.5 per cent to £1.33bn. A higher tax charge mean that earnings per share fell by 1.5p to 20.5p.

# Financial Times Annual Report Service

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## AB INDUSTRIVÄRDEN

AB Industrivärden is an industrial holding company which consists of a portfolio of listed stocks worth about SEK 14 billion, industrial operations and trading operations with a turnover of SEK 6 billion, and a real estate operation. The major holdings in the portfolio of listed stocks are SCA, AGA, Ericsson, Handelsbanken, PLM, SSAB and Skanska. Indutrus consists of five companies in the engineering industry including Besam and Thorsman. Indutrade is involved in imports and trading with industrial components in Sweden, Denmark, Finland, the Netherlands and Belgium. Fundament manages real estate consisting of office premises with central locations, mainly in the Stockholm region.

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## NOKIA

Nokia is an international telecommunications group with net sales of GBP 5.5 billion (FIM 36.8 billion), profit before taxes of GBP 732 million (up 23%) and earnings per share of GBP 2.13 (up 31%) in 1995. After divesting its non-core businesses Nokia now has the structure in place to concentrate on the growth segments of the telecommunications industry thereby improving its shareholder return. Nokia is Europe's largest and the world's second largest manufacturer of mobile phones with sales in 120 countries. It is also a world leading supplier of GSM/DCS cellular networks as well as a significant supplier of access networks, multimedia products, interactive digital satellite and cable terminals, PC monitors as well as car audio systems. The Group runs focused R&D programs in Europe, Asia/Pacific and the United States. Nokia's shares are listed on the London Stock Exchange and on five other stock exchanges.

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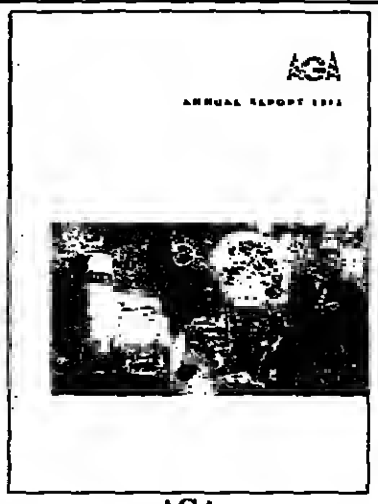

## AGA

● AGA's income after financial items increased in 1995 by 22 percent to SKr 2,108m (1994:SKr 1,726m). In addition, a capital gain of SKr 601m arose from the sale of shares in Avesta Sheffield. ● Net income per share after full tax rose by 20 percent to SKr 6.31 (5.28), excluding the capital gain. ● Dividend increase to SKr 2.70 (2.25) per share. ● March 27, 1996, AGA sold its shareholding in the associate company Gullspångs Kraft which resulted in a capital gain of approximately SKr 1,600m after tax. ● The 1996 result is expected to be at largely the same level as 1995, excluding capital gains.

AGA is one of the world's largest gas companies. The Group produces and sells industrial and medical gases in 35 countries in Europe, the U.S. and Latin America.

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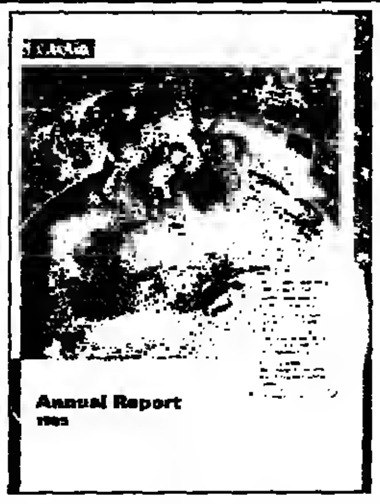

## TELIA

Changing times affect even well-established companies such as Telia, Sweden's leading telecom company. The Group aims to maintain a leading position in the new market for communications now emerging. Telia is broadening its operations in terms of geographic reach and product portfolio.

*1995 was a good year. Operating revenues advanced 8%, to SEK 41 billion, and income after financial net reached SEK 3.2 billion.*

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## AssiDomän

*AssiDomän is one of Europe's leading forest products companies. Production is* concentrated on packaging papers, packaging products and sawn timber.

AssiDomän is the largest forest-owner in Sweden, with holdings of 3.4 million hectares of productive forest land.

The average number of employees in 1995 was 13,119 of whom 6,916 were employed in Sweden. The Group's total sales in 1995 amounted to SEK 21,016 million, of which 77% went to customers outside Sweden.

The profit after net financial items amounted to SEK 4,546 million, an improvement of SEK 2,274 million, or 110%. The Annual Report for 1995 is accompanied by a separate *Environmental Report.*

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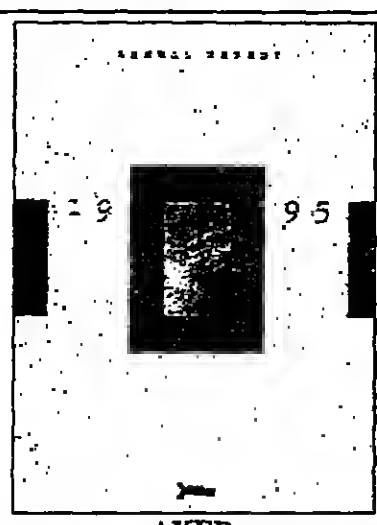

## AKER

Aker ASA is one of Norway's leading industrial groups with activities and interests in the areas of oil and gas technology and cement and building materials. Its holdings include a 33.3% share in Scancem AB (publ) which is one of Europe's largest cement and building materials groups, and a 29% holding in the Finnish industrial group Partek Oy AB. Aker's wholly owned subsidiary Aker Oil and Gas Technology is a major supplier to the international oil industry. Sales in 1995 amounted to NOK 15,259 million and the profit after financial items NOK 1,093 million. Aker has nearly 9,000 employees.

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## EUROC

*Euroc's earnings after net financial items and minority shares totalled SEK 955 M in 1995, an* increase of SEK 222 M, compared with SEK 733 M in 1994 (excluding nonrecurring items of SEK 138 M).

In March, the merger was finalised between Euroc and the Norwegian Aker Group's cement and building material operations. A new major Nordic construction materials group has been created with sales of SEK 14 billion and 9,500 employees, strong home market positions, presence in both mature and emerging markets, critical size and efficient production facilities. *In connection with the merger, the group has changed its name to Scancem.*

Excluding the effects of the merger, earnings in 1996 are expected to be on the same level as in 1995.

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## NORSK HYDRO

Norsk Hydro, founded in 1905, is the largest industrial company in Norway. Its main fields of operation are Agriculture, Light Metals, Oil and Gas and Petrochemicals. Based on the production and utilization of Norwegian energy resources the company has enjoyed strong international growth. Hydro's shares are traded on the main stock exchanges of Europe and New York.

In 1995, Hydro had an operating income of NOK 10.7 billion, a significant improvement from NOK 7.15 billion in 1994. Earnings increased in all of the segments. The advance was particularly pronounced in the Agriculture and Light Metals segments, due to better market conditions, higher prices, and the effect of measure to improve efficiency.

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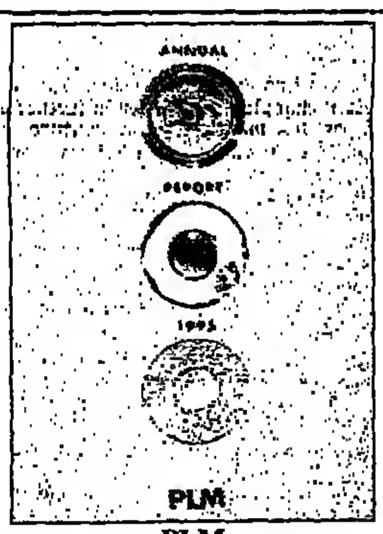

## PLM

PLM is one of Europe's leading consumer packaging companies. The company develops, manufactures and markets packaging in metal, glass and plastic. Its customers are to be found primarily within the European beverage and food industries. In 1995, invoiced sales amounted to approximately MSEK 8,500. Profit after financial items stood at MSEK 519. Operations are divided into three business areas: *Beverage Can Division, Glass Division and* Plastics Division. PLM has twelve strategically located factories in eight countries: Sweden, *Denmark, Norway, Germany, the Netherlands, the UK, France and Austria.* PLM has its headquarters in Malmö, Sweden. It has about 5100 employees, of whom about 75% are employed *outside* Sweden.

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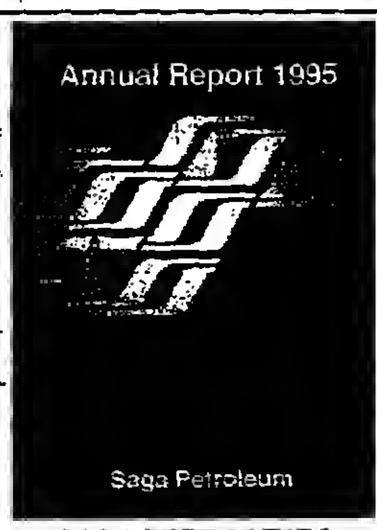

## SAGA PETROLEUM

Saga Petroleum is one of the leading oil companies in Norway. The company focuses on oil and gas exploration, development and production. At year end 1995, the group's proved and probable petroleum reserves totalled 1,133 million barrels of oil equivalent, evenly distributed between oil and gas. The company's shares are listed on the Oslo Stock Exchange, the New York Stock Exchange and quoted on the Stock Exchange Automatic Quotation (SEAQ Int.) in London. In 1995 production totalled 47 million barrels of oil equivalent. Reported operating profit and profit before taxation were *NOK 1,864 and NOK 2,015 respectively.*

The Norwegian continental shelf continues to be Saga's main area of activity, but the company's strategy is also to use its expertise to gradually build up an international portfolio.

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## SCA

SCA is an integrated paper and packaging company with Europe as its primary market. SCA's activities are conducted through the business areas Hygiene Products, Packaging and Graphic Paper. SCA also owns 1.8 million hectares of productive forest land and has extensive sawmill operations. SCA is Europe's foremost user of recycled fiber. SCA's *products are based on nearly equal amounts of recycled and fresh wood fibers.*

SCA has about 33,000 employees in more than 20 countries. The share is listed on the stock exchanges in Stockholm and London and is available in the form of ADRs (American Depositary Receipts) in the U.S. SCA in brief: Net sales SEK 65,317 M (33,676). Earnings after financial net SEK 5,731 M (1,060). Earnings per share after tax SEK 17.55 (2.94).

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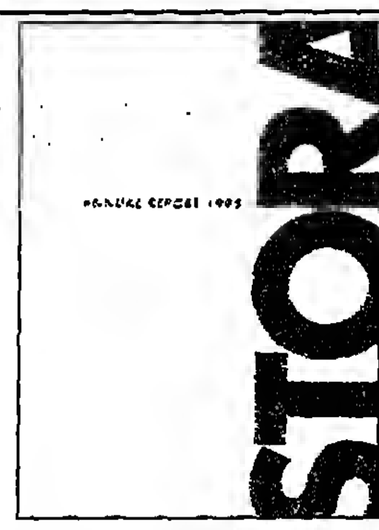

## STORA

STORA is one of the world's leading manufacturers of printing papers, fine papers and board and packaging paper. These product areas dominate the Group's operations. Paper and board production capacity amounts to 6 million tons. The Group is also a large manufacturer of kitchens, windows and doors. STORA's raw material base consists of forest holdings and power. The Group's Swedish forest holdings amount to 1.6 million hectares of productive forest land. STORA is Sweden's fifth largest power supplier.

Group sales totaled SEK 57,106 million in 1995. Income after net financial items improved to SEK 8,020 million (SEK 3,217 million in 1994). Average number of employees was 25,619.

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## SKANDIA

Skandia is an international corporation offering insurance and *financial services* in its Nordic home market and internationally. Skandia has approximately 10,000 employees in 25 countries.

The group's total assets amounted to *SEK* 177 billion.

*Skandia's shares* are listed on the Stockholm, Copenhagen and London stock exchanges.

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## THE STATOIL GROUP

Statoil is an integrated, international oil company, *owned by the Norwegian State.*

The Statoil group achieved a net profit of NOK 5.3 billion for 1995 - the second highest result in its history. *Net profit the year before totalled NOK 5.4 billion.*

Operating profit came to NOK 13.4 billion as against NOK 14.7 billion in 1994. Investments by the group set a new record in 1995 at NOK 17.5 billion, up by NOK 3.5 billion from the year before. Sixty-five per cent of this spending took place in Norway, primarily on the Norwegian continental shelf. Statoil's production and transport systems operated well and achieved high regularity during 1995. Measure to improve recovery made a positive contribution and limited the expected decline in production. Average daily supplies of equity oil fell from 449000 barrels in 1994 to 434000 barrels.

The Statoil group had 13 850 employees at 31 December 1995.

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## STENA LINE

Stena line is the world's largest ferry company for international ferry traffic. The Group's route network consists of 15 well-positioned ferry routes in the business area of the Kattegat, Skagerak, English Channel and the Irish Sea.

Nearly 15 million passengers, 2.7 million private cars and 930,000 lorries, trailers, containers and railway carriages are transported every year on the Group's ferries.

Group turnover amounted to SEK 9,436 million during 1995 and the profit, after net financial items was, SEK 201 million.

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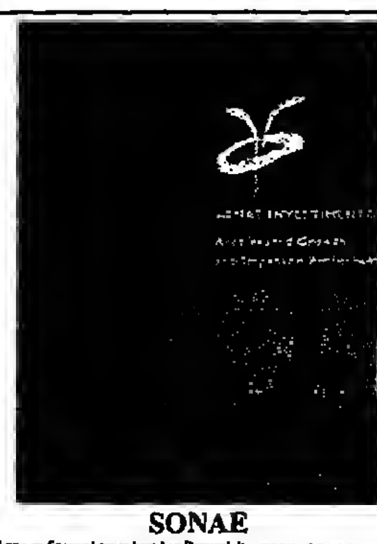

## SONAE

Sonae is the leading non-financial group based on Portugal. Its core activities are:
● Retailing, through Modelo Continente, the leading retailer in Portugal, and C.R.D. in Brazil ● Real Estate, where Sonae Imobiliaria is focused in the development and operation of Shopping Centers and leads this sector in Portugal ● Wood Based Products, where Sonae Industria together with its associated Spanish company, Tafisa S.A., is the 4th largest European group of the sector with operations in Portugal, Spain, U.K., Canada and Brazil.

| *Key figures (ECU-millions)* | *1994* | *1995* | *% change* |
|---|---|---|---|
| Turnover | 1354 | 1653 | +39% |
| Operation profit | 61 | 102 | +67% |
| Net Profit (Group share) | 55 | 67 | +22% |
| Shareholders funds | 461 | 489 | +6% |

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## COMMODITIES AND AGRICULTURE

# Copper surges as speculators take profits

By Kenneth Gooding, Mining Correspondent

Copper prices surged yesterday as some speculators who had sold short - sold metal they did not own in the expectation that they would be able to buy it later at a lower price - decided to pocket some profits.

In after-hours trading on the London Metal Exchange, copper for delivery in three months ended at $1,880 a tonne, up $80 from Wednesday's close. At one stage it reached $1,925, a 7 per cent gain on the day.

Analysts suggested this was to be expected. "We see a corrective bounce to $2,000 or even $2,200," said Mr Martin Squires at Rudolf Wolff, a subsidiary of Noranda of Canada. That would mean copper would have regained half of the steep fall it suffered after the short sellers started to attack the market on rumours that Sumitomo of Japan had moved its chief copper trader, Mr Yasuo Hamanaka.

"The shorts had to cover at some time and buy. And who would have sold to them at the very low prices we have seen recently?" he pointed out.

Analysts said that, when the market eventually returned to more normal conditions, the fundamental position of the copper market, with its expected growing surplus of supply, would assert itself and there would be two years of relatively low prices.

Mr Nick Moore at the Flemings Global Mining Group suggested "a combination of poor fundamentals and the Sumitomo debacle is proving lethal for copper." He forecast that copper would range between $1,760 and $1,984 a tonne in the next two years.

Wolff's Mr Squires forecast prices of between $1,700 and $1,800 over the same period. "The price can't go much below $1,600 because the average cash cost of copper production is $1,490," he said.

However, Mr Angus MacMillan, research manager at Billiton Metals, part of Gencor of South Africa, suggested copper could be at $1,600 by the end of this year. "That would cover the cash costs of most of the industry."

He said the copper market had been in transition from having a sizeable supply deficit to one facing a sizeable surplus for a long time. "The market has done in two weeks what I expected to take six months. But there are still uncertainties." While visible stocks represented only five weeks' consumption, there were fears that there were substantial "invisible" stocks.

Mr Jim Lennon at Macquarie Equities, part of the Australian banking group, said there was much rumour and conjecture about these hidden stocks but no evidence. Traders were suggesting that 200,000 to 250,000 tonnes was held on consignment by traders and consumers all over the world.

There were also questions about the size of Sumitomo's physical stocks, he pointed out. "Our best information is that the position remains over 1m tonnes and this is being sold down at every opportunity."

Mr Lennon noted that if stocks were suddenly swollen by 200,000 tonnes of "hidden" metal that would bring visible stocks back to levels last seen at the beginning of 1994 when prices averaged $1,862, not far from yesterday's level.

Early yesterday the market was unnerved by a statement by a "high ranking" Japanese government official that Sumitomo "still holds many long positions" and that they "still posed concerns for the world copper market". Mr Lennon said this appeared to give lie to stories that Sumitomo had liquidated its long positions.

Traders said "buy" orders for 75,000 tonnes of copper were placed through one LME ring dealer and they assumed this was largely on behalf of funds who had gone short at higher prices. They suggested that, when the price weakened towards the end of yesterday, it might have been because of some selling by Sumitomo.

# Placer Dome still waiting for Kazakh repayment

By Kenneth Gooding

Controversy is again enveloping the Vasilkovskoye gold project in Kazakhstan. Placer Dome said yesterday that the Kazakh government seemed to be hesitating about paying back a US$35m refundable deposit the Canadian Group was due to receive by July 4. Placer put up the interest-free deposit a year ago when it was awarded the rights to develop Vasilkovskoye, located in northern Kazakhstan and estimated to contain 13.5m troy ounces of gold.

After doing due diligence work, Placer changed its mind about the merits of the project and withdrew.

Mr Rex McLennan, Placer's vice-president and treasurer, said in London yesterday that the contract signed with the Kazakh government gave his company the unconditional right to ask for the return of its cash. However, the government's lawyers recently had suggested there should be negotiations about the return of the deposit.

"Kazakhstan's reputation is on the line here. If the government is not prepared to live up to this international agreement, how can it expect other western companies to go ahead with projects there?" said Mr McLennan.

In discussions with the government during the past nine months it had never been suggested the money would not be repaid. "We still have an interest in doing business in Kazakhstan if this obligation is lived up to. Our relationship with the people in government has been good."

The European Bank for Reconstruction and Development was upset when Placer was awarded the Vasilkovskoye project after EBRD had started a formal tendering process. However, an EBRD official indicated recently that the bank would still be willing to consider backing viable joint ventures there. Yesterday an EBRD official said that it would not be able to approve any funding for Vasilkovskoye if Placer and the government had not settled their differences.

# US farm act 'puts EU under pressure'

By Deborah Hargreaves

The European Union will come under great pressure to reform its Common Agricultural Policy as a result of changes in US farming law introduced in April, according to an analysis released yesterday by Britain's National Farmers' Union.

"The most pressure will be to take away the direct link between production and payments," said Mr Martin Haworth, NFU's head of international affairs. That could see the EU following the US by making so-called "decoupled" payments to farmers regardless of what they grow.

The changes to US agricultural policy are expected to have the greatest impact on the EU when it comes to renegotiating the General Agreement on Tariffs and Trade in 2000. Since the Farm Bill moves US agriculture much closer to the market and makes it less reliant on price support, the EU is expected to come under pressure to do the same.

All agricultural support payments were supposed to be cut by 20 per cent under the last Gatt round. But this was fudged in the last negotiations because the EU and US could not agree. In order to secure a deal in the Uruguay negotiations, the EU and the US made the last-minute "Blair House" compromise. This allowed both the EU and US to continue to make certain support payments, chiefly to cereals and livestock farmers, to protect them from lower prices.

Those payments were included in a "blue box" of support measures that were exempt from subsidy cuts, but could not be increased, and were protected from legal challenge until 2003.

Other decoupled payments, such as support for environmental measures and funds for taking land out of production, were put into the "green box". Here, they are exempt from cuts as long as they do not encourage farmers to produce.

The challenge for the EU in the current US farm bill is that the US has now moved its support for most farmers from the blue box measures to the green box by decoupling them fully from production encouragements. "The EU is now left high and dry and isolated in the blus hox," said Mr Haworth. "If we do nothing, the next round of negotiations are likely to force cuts in those blue box payments." The European Commission is believed to be working on proposals for further CAP reform, which are expected to be announced next year. The move to enlarge the EU by admitting eastern European countries is also expected to increase pressure for CAP reform.

The NFU's analysis shows that US farmers received much lower levels of support than those in the EU even before this year's farm bill, which will cut support further.

The US arable sector will see the most radical changes. The farm bill introduces a much greater degree of flexibility for cereals producers - it was initially called "Freedom to Farm".

Instead of the previous deficiency payments which compensated farmers for drops in prices, US producers will be able to sign up for Production Flexibility Contract Payments.

These contracts will be paid on 85 per cent of a farmer's base acreage with an upper ceiling of $80,000. Farmers will apply for the contracts with their base acreage for each crop, which was established when deficiency payments were introduced in 1985.

The budget for these contracts for each year will be allocated on a percentage basis to different commodities. The US Senate Agriculture committee, for example, estimates the average level of payments on maize will be around $36 per acre.

But once farmers are in receipt of their contracts, they will not be required to grow a particular crop on the area claimed. They will also be able to graze the area or make hay from it. There will be some limits on growing fruit and vegetables.

The NFU believes these changes will turn up the heat for the next Gatt round. "The USA will have every interest in negotiating a much higher level of domestic subsidy cuts than the 20 per cent agreed in ths Uruguay Round, since most of their domestic support arrangements are now in the green box and immune from cuts. This is especially true in the arable and dairy sectors," the NFU's paper says.

**Production Flexibility Contract Payments**

| | Annual Budget ($bn) | | Share of budget for each commodity |
|---|---|---|---|
| 1996 | 5.570 | Wheat | 26.26% |
| 1997 | 5.385 | Maize | 46.22% |
| 1998 | 5.800 | Sorghum | 5.11% |
| 1999 | 5.603 | Barley | 2.16% |
| 2000 | 5.130 | Oats | 0.15% |
| 2001 | 4.130 | Cotton | 11.63% |
| 2002 | 4.008 | Rice | 8.47% |

Source: NFU

# Go-ahead given for Scotland's first commercial gold mine

By Kenneth Gooding

The go-ahead has been given for Scotland's first commercial gold mine.

Caledonia Mining Corporation, a Toronto based company founded by its chairman, Mr Dennis MacLeod, who was born in Scotland, is to spend US$11m to bring the Cononish mine in the west central Highlands into production by the summer of 1997.

Cononish, near the small town of Tyndrum, is expected to be a relatively modest mine, producing about 25,000 troy ounces of gold a year. But its costs will be relatively low, according to Caledonia, between $160 and $225 an ounce. Present reserves are enough for about seven years of mine life but Caledonia suggests the exploration potential in the area, where it has rights to 930 square kilometres, is "excellent".

Caledonia expects that the mine will employ 80 people - mostly from the local area - during construction work and 50 when mining begins.

The company is also to study the possibility of starting production of jewellery and coins in the Highlands, using "pure Scottish gold" from Cononish.

The path to production was not always smooth. A number of organisations objected to the mine because of fears that an accident might poison the Tay river system or hurt tourism in the area, which has replaced farming, forestry and the railways as the main earner. However, the planning application was helped when Scottish National Heritage changed its mind about the mine's potential environmental impact.

The local authority has imposed strict conditions, however. There will be no Sunday working. Any free gold will be removed at the site but there will be no use of cyanide, frequently employed in gold processing. Concentrate, an intermediate material, will be sent to smelters on the Continent instead.

Also, Caledonia is having to lodge a £500,000 bond to cover any necessary restoration work and will have to restore the site when mining is finally completed.

The Highlands gold was first discovered by a persistent geologist, Mr Rick Parker, who believed the Caledonian mountain chain had the right characteristics. After working for about ten years to justify his hunch, he found indications of gold on Cononish farm, near Tyndrum, and eventually persuaded Ennex, an Irish company, to back further exploration. Once planning permission was obtained, Ennex sold the project to Caledonia in exchange for cash and shares.

Goldfields, the newly-incorporated Australian company which took over the goldmining assets of Renison Gold Fields and Pancontinental Mining, will become part of the Financial Times Gold Mines Index from July 1.

## COMMODITIES PRICES

### BASE METALS

**LONDON METAL EXCHANGE** (Prices from Amalgamated Metal Trading)

**ALUMINIUM, 99.7 PURITY ($ per tonne)**

| | Cash | 3 mths |
|---|---|---|
| Close | 1479.5-80.5 | 1516-6.5 |
| Previous | 1474-5 | 1511-12 |
| High/low | 1471/1470 | 1516/1506 |
| AM Official | 1470-70.5 | 1506-6.5 |
| Kerb close | | 1510-11 |
| Open int. | na | |
| Total daily turnover | na | |

**ALUMINIUM ALLOY ($ per tonne)**

| | Cash | 3 mths |
|---|---|---|
| Close | 1256-63 | 1293-5 |
| Previous | 1255-65 | 1295-300 |
| High/low | | 1292/1290 |
| AM Official | 1255-60 | 1291-2 |
| Kerb close | | 1290-5 |
| Open int. | na | |
| Total daily turnover | na | |

**LEAD ($ per tonne)**

| | Cash | 3 mths |
|---|---|---|
| Close | 794-5 | 802-3 |
| Previous | 775.5-6.5 | 783-5.5 |
| High/low | 784/783.5 | 805/790 |
| AM Official | 783.5-4.0 | 791.5-2.0 |
| Kerb close | | 802-3 |
| Open int. | na | |
| Total daily turnover | na | |

**NICKEL ($ per tonne)**

| | Cash | 3 mths |
|---|---|---|
| Close | 7615-25 | 7725-35 |
| Previous | 7485-75 | 7580-90 |
| High/low | 7600/7480 | 7730/7610 |
| AM Official | 7600-05 | 7605-10 |
| Kerb close | | 7715-25 |
| Open int. | na | |
| Total daily turnover | na | |

**TIN ($ per tonne)**

| | Cash | 3 mths |
|---|---|---|
| Close | 6245-55 | 6260-80 |
| Previous | 6180-90 | 6220-25 |
| High/low | | 6285/6225 |
| AM Official | 6280-10 | 6240-45 |
| Kerb close | | 6280-5 |
| Open int. | na | |
| Total daily turnover | na | |

**ZINC, special high grade ($ per tonne)**

| | Cash | 3 mths |
|---|---|---|
| Close | 1007-8 | 1034-5 |
| Previous | 1004-5 | 1031-2 |
| High/low | | 1034/1029 |
| AM Official | 1001.5-2.5 | 1029-9.5 |
| Kerb close | | 1033-4 |
| Open int. | na | |
| Total daily turnover | na | |

**COPPER, grade A ($ per tonne)**

| | Cash | 3 mths |
|---|---|---|
| Close | 1863-5 | 1918-20 |
| Previous | 1835-40 | 1799-800 |
| High/low | 1840/1830 | 1925/1805 |
| AM Official | 1828-30 | 1810-12 |
| Kerb close | | 1880-5 |
| Open int. | na | |
| Total daily turnover | na | |

LME AM Official £/$ rate: 1.5430
LME Closing £/$ rate: 1.5465
Spot 1.5455 3 mths: 1.5446 6 mths: 1.5453 9 mths: 1.5463

**HIGH GRADE COPPER (COMEX)**

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Jul | 90.80 | +2.75 | 92.50 | 85.60 | 3,500 | 8,152 |
| Aug | 90.00 | +2.15 | 91.70 | 88.90 | 151 | 2,082 |
| Sep | 89.50 | +2.30 | 91.60 | 85.00 | 7,636 | 19,519 |
| Oct | 89.70 | +2.30 | 88.30 | 87.20 | 26 | 1,186 |
| Nov | 89.45 | +2.25 | 87.20 | 87.20 | 166 | 1,072 |
| Dec | 89.20 | +2.30 | 91.00 | 85.50 | 1,590 | 12,396 |
| Total | | | | | 14,248 | 38,994 |

### PRECIOUS METALS

**LONDON BULLION MARKET** (Prices supplied by N M Rothschild)

| Gold(Troy oz) | $ price | £ equiv | SFr equiv |
|---|---|---|---|
| Close | 383.10-383.50 | | |
| Opening | 382.90-383.30 | | |
| Morning fix | 383.00 | 248.379 | 481.354 |
| Afternoon fix | 382.95 | 247.544 | 478.686 |
| Day's High | 383.40-383.60 | | |
| Day's Low | 381.90-382.30 | | |
| Previous close | 383.30-383.70 | | |

Loco Ldn Mean Gold Lending Rates (Vs US$)

| | | | |
|---|---|---|---|
| 1 month | 4.26 | 6 months | 4.00 |
| 2 months | 4.23 | 12 months | 3.91 |
| 3 months | 4.13 | | |

| Silver Fix | p/troy oz. | US cts equiv. |
|---|---|---|
| Spot | 330.95 | 510.50 |
| 3 months | 335.05 | 516.55 |
| 6 months | 339.25 | 523.35 |
| 1 year | 347.55 | 536.65 |

| Gold Coins | $ price | £ equiv. |
|---|---|---|
| Krugerrand | 382-385 | 247-249 |
| Maple Leaf | 393.50-395.95 | - |
| New Sovereign | 87-90 | 56-58 |

### Precious Metals continued

**GOLD COMEX (100 Troy oz.; $/troy oz.)**

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Jul | 382.8 | -1.2 | 383.3 | 382.3 | - | - |
| Aug | 383.6 | -1.1 | 385.2 | 383.4 | 30,643 | 86,680 |
| Oct | 385.3 | -1.1 | 387.6 | 386.2 | 176 | 7,706 |
| Dec | 388.4 | -1.1 | 390.5 | 388.3 | 3,467 | 38,893 |
| Feb | 391.4 | -1.2 | 392.2 | 391.2 | 1,291 | 8,487 |
| Apr | 394.8 | -1.2 | - | - | 14 | 6,313 |
| Total | | | | | 35,633 | 165,483 |

**PLATINUM NYMEX (50 Troy oz.; $/troy oz.)**

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Jul | 390.5 | -1.0 | 393.0 | 390.5 | 1,306 | 3,799 |
| Oct | 393.3 | -0.3 | 394.9 | 393.2 | 2,437 | 19,418 |
| Jan | 395.3 | -8.9 | 398.0 | 395.3 | 37 | 2,148 |
| Apr | 399.1 | -8.9 | 401.0 | 401.0 | 253 | 2,235 |
| Jul | 402.3 | -8.9 | - | - | 4 | 31 |
| Total | | | | | 4,036 | 27,631 |

**PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)**

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Sep | 134.75 | +0.10 | 135.40 | 134.75 | 1,024 | 7,013 |
| Dec | 135.75 | +0.30 | 137.00 | 137.00 | 35 | 929 |
| Mar | 136.75 | +0.30 | - | - | - | 12 |
| Jun | 137.50 | +0.30 | - | - | - | 106 |
| Total | | | | | 1,059 | 8,060 |

**SILVER COMEX (5,000 Troy oz.; Cents/troy oz.)**

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Jul | 498.2 | -7.3 | 512.0 | 498.0 | 21,780 | 28,244 |
| Aug | 501.1 | -7.0 | - | - | 17 | - |
| Sep | 504.8 | -7.3 | 517.0 | 503.0 | 17,602 | 48,358 |
| Dec | 512.1 | -7.5 | 525.0 | 511.0 | 2,623 | 18,563 |
| Mar | 520.3 | -7.0 | 532.5 | 525.0 | 11 | 5,445 |
| May | 525.8 | -7.0 | 530.0 | 530.0 | 10 | 5,410 |
| Total | | | | | 42,468 | 110,669 |

### ENERGY

**CRUDE OIL NYMEX (1,000 barrels, $/barrel)**

| | Latest price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Aug | 21.06 | +0.43 | 21.30 | 20.33 | 42,154 | 86,900 |
| Sep | 20.22 | +0.35 | 20.40 | 19.70 | 14,387 | 44,773 |
| Oct | 19.72 | +0.33 | 19.80 | 19.20 | 4,324 | 27,693 |
| Nov | 19.35 | +0.22 | 19.35 | 18.90 | 2,254 | 22,151 |
| Dec | 18.92 | +0.09 | 19.05 | 18.59 | 3,123 | 32,470 |
| Jan | 18.70 | +0.05 | 18.80 | 18.37 | 1,504 | 21,224 |
| Total | | | | | 73,626 | 284,183 |

**CRUDE OIL IPE ($/barrel)**

| | Latest price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Aug | 19.08 | +0.37 | 19.24 | 18.48 | 24,138 | 56,404 |
| Sep | 18.59 | +0.35 | 18.63 | 17.89 | 11,117 | 36,707 |
| Oct | 18.12 | +0.32 | 18.25 | 17.67 | 2,170 | 20,097 |
| Nov | 17.84 | +0.28 | 17.92 | 17.46 | 386 | 5,911 |
| Dec | 17.60 | +0.22 | 17.70 | 17.26 | 830 | 12,352 |
| Jan | 17.40 | +0.17 | 17.45 | 17.11 | 278 | 11,534 |
| Total | | | | | | na |

**HEATING OIL NYMEX (42,000 US galls; c/US galls.)**

| | Latest price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Jul | 53.75 | +1.41 | 54.20 | 52.05 | 11,101 | 9,561 |
| Aug | 53.65 | +1.42 | 54.50 | 52.35 | 9,841 | 22,614 |
| Sep | 54.25 | +1.28 | 54.70 | 52.75 | 1,288 | 9,639 |
| Oct | 54.75 | +1.23 | 55.00 | 53.25 | 320 | 5,525 |
| Nov | 54.50 | +0.88 | 55.20 | 53.90 | 569 | 7,064 |
| Dec | 55.75 | +0.78 | 55.98 | 54.90 | 1,578 | 17,303 |
| Total | | | | | 25,324 | 94,182 |

**GAS OIL IPE ($/tonne)**

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Jul | 168.00 | +8.50 | 168.00 | 162.50 | 8,838 | 14,866 |
| Aug | 166.25 | +5.25 | 167.00 | 161.25 | [illegible] | 12,694 |
| Sep | 165.75 | +5.25 | 165.75 | 161.50 | 1,945 | 7,551 |
| Oct | 166.00 | +4.75 | 166.00 | 161.50 | [illegible] | 3,382 |
| Nov | 166.00 | +4.75 | [illegible] | [illegible] | [illegible] | 1,550 |
| Dec | 166.25 | +4.25 | 166.25 | 163.75 | 727 | 9,759 |
| Total | | | | | 18,285 | 54,946 |

**NATURAL GAS NYMEX (10,000 mmBtu; $/mmBtu)**

| | Latest price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Jul | 2.790 | +0.103 | 2.795 | 2.680 | 10,856 | 40,451 |
| Aug | 2.745 | +0.073 | 2.750 | 2.665 | 3,547 | 20,404 |
| Sep | 2.745 | +0.065 | 2.750 | 2.670 | 2,389 | 17,300 |
| Oct | 2.750 | +0.055 | 2.760 | 2.700 | 822 | 12,211 |
| Nov | 2.765 | +0.053 | 2.765 | 2.740 | 594 | 14,340 |
| Dec | 2.780 | +0.048 | 2.780 | 2.740 | 365 | 10,226 |
| Total | | | | | 28,165 | 161,782 |

**UNLEADED GASOLINE NYMEX (42,000 US gls; c/US gls.)**

| | Latest price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Jul | 58.70 | +1.34 | 58.90 | 57.80 | 13,536 | 19,494 |
| Aug | 58.00 | +1.38 | 58.00 | 56.00 | 12,808 | 22,902 |
| Sep | 56.45 | +0.98 | 59.10 | 57.45 | 4,365 | 7,156 |
| Oct | 55.90 | +0.70 | 57.15 | 55.60 | 695 | 3,264 |
| Nov | 55.50 | +0.80 | 55.50 | 54.80 | 724 | 1,403 |
| Dec | 54.85 | +0.80 | 54.85 | 53.80 | 204 | 1,429 |
| Total | | | | | 23,730 | 48,184 |

### GRAINS AND OIL SEEDS

**WHEAT LCE (£ per tonne)**

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Jul | 112.65 | -0.10 | 112.75 | 112.00 | 16 | 257 |
| Sep | 111.75 | -0.50 | - | - | - | 422 |
| Nov | 113.75 | -0.20 | 113.75 | 113.75 | 5 | 2,996 |
| Jan | 115.75 | -0.20 | - | - | - | 1,070 |
| Mar | 117.75 | -0.20 | - | - | - | 315 |
| May | 119.75 | - | - | - | - | 150 |
| Total | | | | | 21 | 5,226 |

**WHEAT CBT (5,000bu min; cents/60lb bushel)**

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Jul | 478.50 | -14.00 | 494.00 | 477.50 | 9,323 | 16,571 |
| Sep | 482.50 | -13.25 | 496.50 | 481.00 | 7,338 | 28,401 |
| Dec | 492.75 | -13.50 | 510.00 | 492.00 | 9,298 | 25,886 |
| Mar | 493.50 | -12.25 | 510.00 | 492.00 | 514 | 3,748 |
| May | 464.00 | -12.00 | 477.00 | 464.00 | 12 | 129 |
| Jul | 430.00 | - | 426.00 | 420.00 | 62 | 1,789 |
| Total | | | | | 26,847 | 76,618 |

**MAIZE CBT (5,000 bu min; cents/56lb bushel)**

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Jul | 481.50 | +4.25 | 485.00 | 474.00 | 31,675 | 46,919 |
| Sep | 385.75 | -3.00 | 388.50 | 385.00 | 18,373 | 72,303 |
| Dec | 352.50 | -1.75 | 354.00 | 350.50 | 28,239 | 167,537 |
| Mar | 358.25 | -1.50 | 359.50 | 356.50 | 1,824 | 24,587 |
| May | 361.25 | -0.75 | 363.00 | 360.00 | 607 | 4,865 |
| Jul | 360.25 | - | 362.50 | 358.00 | 361 | 5,146 |
| Total | | | | | 81,834 | 326,599 |

**BARLEY LCE (£ per tonne)**

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Sep | 104.50 | -0.15 | 104.50 | 104.40 | 20 | 77 |
| Nov | 106.50 | +0.20 | 106.50 | 106.25 | 39 | 720 |
| Jan | 108.50 | - | 106.50 | 108.50 | 22 | 141 |
| Mar | 110.40 | -0.35 | - | - | - | 41 |
| May | 112.50 | +0.30 | 112.00 | 112.00 | 1 | 6 |
| Total | | | | | 82 | 986 |

**SOYABEANS CBT (5,000bu min; cents/60lb bushel)**

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Jul | 757.50 | -8.75 | 768.00 | 757.00 | 20,867 | 18,867 |
| Aug | 755.75 | -9.25 | 764.00 | 755.00 | 7,314 | 27,388 |
| Sep | 742.00 | -8.50 | 748.00 | 741.00 | 2,232 | 10,402 |
| Nov | 732.00 | -7.25 | 738.50 | 731.50 | 28,610 | 87,465 |
| Jan | 738.50 | -7.50 | 745.00 | 739.00 | 712 | 8,671 |
| Mar | 748.00 | -7.00 | 751.00 | 745.00 | 291 | 4,088 |
| Total | | | | | 60,637 | 175,441 |

**SOYABEAN OIL CBT (60,000lbs; cents/lb)**

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Jul | 24.74 | -0.24 | 24.94 | 24.72 | 7,603 | 11,316 |
| Aug | 24.96 | -0.23 | 25.15 | 24.95 | 6,062 | 21,017 |
| Sep | 25.15 | -0.28 | 25.38 | 25.18 | 2,177 | 10,789 |
| Oct | 25.35 | -0.23 | 25.50 | 25.35 | 901 | 7,383 |
| Dec | 25.86 | -0.23 | 25.82 | 25.85 | 7,547 | 28,846 |
| Jan | 25.81 | -0.22 | 25.95 | 25.85 | 385 | 2,362 |
| Total | | | | | 24,864 | 84,768 |

**SOYABEAN MEAL CBT (100 tons; $/ton)**

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Jul | 239.8 | -2.2 | 241.5 | 238.8 | 13,281 | 20,170 |
| Aug | 237.8 | -2.9 | 240.0 | 236.5 | 6,127 | 20,819 |
| Sep | 234.8 | -3.4 | 237.8 | 234.5 | 1,586 | 9,792 |
| Oct | 230.5 | -3.1 | 233.2 | 230.8 | 375 | 5,162 |
| Dec | 229.6 | -3.1 | 232.5 | 229.5 | 6,902 | 25,361 |
| Jan | 229.3 | -4.0 | 232.5 | 230.5 | 158 | 2,477 |
| Total | | | | | 28,580 | 87,812 |

**POTATOES LCE (£/tonne)**

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Nov | 85.0 | - | - | - | - | - |
| Mar | 110.0 | - | - | - | - | - |
| Apr | 133.0 | -6.5 | 136.5 | 131.0 | 167 | 1,235 |
| May | 146.0 | -11.5 | - | - | - | 3 |
| Jun | 162.5 | - | - | - | - | - |
| Total | | | | | 167 | 1,238 |

**FREIGHT (BIFFEX) LCE ($10/index point)**

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Jun | 1211 | -3 | 1215 | 1210 | - | 533 |
| Jul | 1145 | +2 | 1145 | 1140 | 46 | 2,010 |
| Aug | 1141 | +1 | 1140 | 1140 | 10 | 258 |
| Oct | 1252 | -6 | 1265 | 1252 | 15 | 1,485 |
| Jan | 1273 | +8 | 1275 | 1275 | 11 | 245 |
| Apr | 1275 | +7 | 1285 | 1280 | 14 | 96 |
| Total | | | | | 88 | 4,622 |

| | Close | Prev |
|---|---|---|
| BFI | 1202 | 1212 |

FUTURES DATA
*All futures data supplied by CMS.*

**Wool**
The main selling seasons in Australia and New Zealand closed this week with prices firm. The Eastern market indicator in Australia closed 2 cents up on the week at 587 cents a kg., a level which is being forecast as the average for the forthcoming 1996/97 season. This is considered to be uneconomic for many Australian farmers and where possible some of them are turning to wheat as an alternative to sheep. World demand has held fairly steady just recently, but while the Australian stockpile is being liquidated supplies of relevant merino wool are thought likely to more than match demand and hold back significant price rises. Only with finer merinos is the market more balanced, and prices in this sector have recently been relatively stronger. New Zealand closed with the market indicator 2 cents up at 484.

### SOFTS

**COCOA LCE (£/tonne)**

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Jul | 1031 | -2 | 1036 | 1015 | 938 | 5,918 |
| Sep | 1056 | +7 | 1065 | 1042 | 1,855 | 42,795 |
| Dec | 1031 | +2 | 1037 | 1025 | 2,139 | 42,041 |
| Mar | 1034 | +2 | 1036 | 1031 | 858 | 41,956 |
| May | 1044 | +1 | 1047 | 1041 | 368 | 20,495 |
| Jul | 1057 | +1 | 1056 | 1052 | 50 | 10,488 |
| Total | | | | | 6,293 | 176,332 |

**COCOA CSCE (10 tonnes; $/tonnes)**

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Jul | 1362 | +14 | 1369 | 1355 | 200 | 369 |
| Sep | 1398 | +19 | 1402 | 1386 | 9,399 | 33,803 |
| Dec | 1423 | +13 | 1424 | 1412 | 1,872 | 28,774 |
| Mar | 1448 | +24 | 1448 | 1434 | 1,196 | 13,725 |
| May | 1462 | +24 | 1462 | 1458 | 24 | 8,697 |
| Jul | 1472 | +24 | 1472 | 1472 | 23 | 5,901 |
| Total | | | | | 12,493 | 96,794 |

**COCOA (ICCO) (SDR's/tonne)**

| Jun 26 | Price | Prev. day |
|---|---|---|
| Daily | 1045.18 | 1074.54 |

**COFFEE LCE ($/tonne)**

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Jul | 1800 | -12 | 1828 | 1790 | 1,506 | 5,002 |
| Sep | 1767 | -15 | 1798 | 1759 | 2,103 | 12,005 |
| Nov | 1739 | -14 | 1766 | 1735 | 344 | 4,092 |
| Jan | 1713 | -10 | 1740 | 1715 | 56 | 2,651 |
| Mar | 1685 | -16 | 1700 | 1670 | 33 | 986 |
| May | 1650 | -20 | 1665 | 1685 | - | 01 |
| Total | | | | | 4,047 | 24,797 |

**COFFEE 'C' CSCE (37,500lbs; cents/lbs)**

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Jul | 124.50 | +1.30 | 124.50 | 123.50 | 288 | 1,778 |
| Sep | 119.20 | +0.55 | 119.50 | 118.10 | 3,203 | 15,105 |
| Dec | 115.50 | +0.60 | 115.60 | 114.50 | 465 | 5,051 |
| Mar | 113.30 | +0.60 | 113.50 | 112.45 | 48 | 1,387 |
| May | 112.75 | +0.75 | 112.75 | 112.50 | 94 | 303 |
| Jul | 112.05 | +0.55 | 112.75 | 112.50 | 82 | 133 |
| Total | | | | | 4,180 | 23,762 |

**COFFEE (ICO) (US cents/pound)**

| Jun 26 | | Prev. day |
|---|---|---|
| Comp. daily | 107.36 | 106.86 |
| 15 day average | 106.10 | 105.81 |

**WHITE SUGAR LCE ($/tonne)**

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Aug | 378.8 | - | 377.2 | 375.6 | 441 | 8,745 |
| Oct | 351.4 | - | 351.2 | 349.0 | 316 | 7,821 |
| Dec | 337.8 | - | 337.0 | 336.0 | 98 | 3,712 |
| Mar | 331.6 | - | 331.3 | 328.9 | 75 | 4,164 |
| May | 329.3 | - | 329.3 | 328.8 | 22 | 2,171 |
| Aug | 327.3 | - | 328.0 | 328.0 | 13 | 751 |
| Total | | | | | 1,088 | 27,886 |

**SUGAR '11' CSCE (112,000lbs; cents/lbs)**

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Jul | 12.61 | +0.44 | 12.75 | 12.20 | 11,669 | 10,152 |
| Oct | 11.41 | - | 11.45 | 11.28 | 18,028 | 71,500 |
| Mar | 11.03 | -0.01 | 11.05 | 10.94 | 8,735 | 34,787 |
| May | 10.78 | -0.01 | 10.80 | 10.73 | 1,468 | 12,775 |
| Jul | 10.52 | - | 10.57 | 10.50 | 1,258 | 11,044 |
| Oct | 10.35 | - | 10.40 | 10.35 | 256 | 4,932 |
| Total | | | | | 39,414 | 145,827 |

**COTTON NYCE (50,000lbs; cents/lbs)**

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Jul | 71.28 | -0.62 | 72.45 | 71.00 | 718 | 903 |
| Oct | 73.00 | +0.08 | 73.90 | 72.80 | 2,184 | 8,334 |
| Dec | 73.80 | +0.21 | 74.35 | 73.55 | 11,056 | 33,257 |
| Mar | 75.40 | +0.40 | 75.70 | 75.15 | 2,301 | 6,977 |
| May | 76.05 | +0.30 | 76.45 | 75.75 | 1,534 | 4,298 |
| Jul | 76.90 | +0.45 | 77.20 | 76.65 | 1,732 | 3,233 |
| Total | | | | | 19,728 | 60,465 |

**ORANGE JUICE NYCE (15,000lbs; cents/lbs)**

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Jul | 122.15 | -0.80 | 122.55 | 121.75 | 1,106 | 3,557 |
| Sep | 119.60 | -0.85 | 120.40 | 118.60 | 1,220 | 10,072 |
| Nov | 116.50 | -0.25 | 117.00 | 116.25 | 35 | 2,089 |
| Jan | 115.20 | -0.05 | 115.40 | 115.00 | 27 | 3,804 |
| Mar | 116.70 | -0.05 | 116.25 | 116.25 | 8 | 277 |
| May | 117.70 | -0.05 | 118.75 | 116.75 | - | 183 |
| Total | | | | | 2,392 | 20,082 |

**VOLUME DATA**
Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears. Volume & Open interest totals are for all traded months.

### INDICES

**REUTERS (Base: 18/9/31=100)**

| Jun 27 | Jun 26 | month ago | year ago |
|---|---|---|---|
| 1993.7 | 1998.5 | 2116.7 | 2274.3 |

**CRB Futures (Base: 1967=100)**

| Jun 26 | Jun 25 | month ago | year ago |
|---|---|---|---|
| 248.86 | 247.71 | na | na |

**GSCI Spot (Base: 1970=100)**

| Jun26 | Jun 25 | month ago | year ago |
|---|---|---|---|
| 202.09 | 199.97 | 209.10 | 175.05 |

### MEAT AND LIVESTOCK

**LIVE CATTLE CME (40,000lbs; cents/lbs)**

| | Sett Price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Aug | 64.975 | -0.3 | 65.300 | 64.925 | 9,237 | 38,251 |
| Oct | 66.850 | -0.375 | 67.300 | 66.600 | 3,979 | 25,723 |
| Dec | 64.450 | -0.275 | 64.750 | 64.400 | 2,435 | 11,490 |
| Feb | 63.625 | -0.25 | 63.900 | 63.550 | 1,468 | 11,566 |
| Apr | 66.325 | -0.2 | 66.500 | 66.200 | 352 | 3,768 |
| Jun | 65.100 | -0.325 | 65.400 | 65.050 | 59 | 1,060 |
| Total | | | | | 77,988 | 92,922 |

**LIVE HOGS CME (40,000lbs; cents/lbs)**

| | Sett Price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Jul | 55.700 | -0.25 | 56.325 | 55.650 | 1,803 | 7,644 |
| Aug | 52.625 | -0.525 | 53.825 | 52.550 | 1,513 | 11,599 |
| Oct | 49.150 | -0.225 | 50.050 | 49.100 | 911 | 8,150 |
| Dec | 51.725 | -0.425 | 52.750 | 51.600 | 548 | 6,536 |
| Feb | 74.800 | -0.25 | 75.100 | 74.500 | 46 | 1,827 |
| Apr | 72.000 | -0.075 | 72.050 | 71.650 | 31 | 479 |
| Total | | | | | 4,881 | 35,032 |

**PORK BELLIES CME (40,000lbs; cents/lbs)**

| | Sett Price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Jul | 75.025 | +0.350 | 76.450 | 74.800 | 847 | 3,010 |
| Aug | 72.000 | -0.200 | 73.700 | 71.900 | 1,327 | 3,436 |
| Feb | 76.000 | -0.900 | 77.500 | 76.000 | 228 | 921 |
| Mar | 77.800 | - | - | - | 5 | 56 |
| May | 79.475 | - | - | - | 1 | 55 |
| Total | | | | | 2,408 | 7,478 |

### LONDON TRADED OPTIONS

Strike price $ tonne — Calls — — Puts —

| ALUMINIUM (99.7%) LME | Jul | Oct | Jul | Oct |
|---|---|---|---|---|
| - | - | - | - | - |
| - | - | - | - | - |
| - | - | - | - | - |

| COPPER (Grade A) LME | Jul | Oct | Jul | Oct |
|---|---|---|---|---|
| - | - | - | - | - |
| - | - | - | - | - |
| - | - | - | - | - |

| COFFEE LCE | Sep | Nov | Sep | Nov |
|---|---|---|---|---|
| 1500 | 298 | 293 | 31 | 54 |
| 1550 | 260 | 258 | 43 | 69 |
| 1600 | 217 | 227 | 50 | 88 |

| COCOA LCE | Sep | Dec | Sep | Dec |
|---|---|---|---|---|
| 950 | 183 | 170 | 2 | 14 |
| 975 | 160 | 150 | 4 | 19 |
| 1000 | 138 | 132 | 7 | 26 |

| BRENT CRUDE IPE | Aug | Sep | Aug | Sep |
|---|---|---|---|---|
| 1800 | - | - | 7 | 35 |
| 1850 | 77 | - | 15 | - |
| 1900 | 52 | 24 | 34 | - |

### LONDON SPOT MARKETS

**CRUDE OIL FOB (per barrel)**

| | | +or- |
|---|---|---|
| Dubai | $17.77-7.82 | +0.62 |
| Brent Blend (dated) | $10.32-9.38 | +0.84 |
| Brent Blend (Aug) | $19.05-9.08 | +0.84 |
| W.T.I. | $21.07-1.10x | +0.975 |

**OIL PRODUCTS NWEprompt delivery CIF (tonne)**

| | | |
|---|---|---|
| Premium Gasoline | $201-203 | |
| Gas Oil | $170-172 | +8 |
| Heavy Fuel Oil | $84-86 | |
| Naphtha | $172-174 | +2 |
| Jet fuel | $194-196 | +6 |
| Diesel | $177-178 | +5.5 |

**NATURAL GAS (Pence/therm)**

| | | |
|---|---|---|
| Bacton (Jul) | na | |

*Petroleum Argus. Tel. London (0171) 359 8792*

**OTHER**

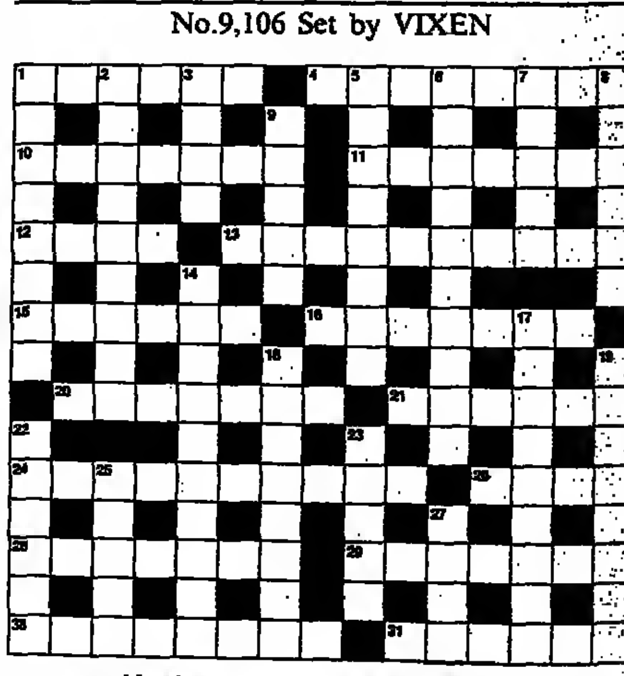
| | | |
|---|---|---|
| Gold (per troy oz)♣ | $383.30 | -0.20 |
| Silver (per troy oz)♣ | 514.50c | -4.00 |
| Platinum (per troy oz.) | $388.75 | -1.75 |
| Palladium (per troy oz.) | $134.00 | +2.60 |
| Copper | 107.0c | |
| Lead (US prod.) | 45.00c | |
| Tin (Kuala Lumpur) | 15.28r | |
| Tin (New York) | 293.50 | +2.0 |
| Cattle (live weight) | 101.02 | +0.33* |
| Sheep (live weight) | 113.50p | +2.45* |
| Pigs (live weight)† | 119.18p | +2.46* |
| Lon. day sugar (raw) | $300.90 | +5.70 |
| Lon. day sugar (wte) | $366.00 | -0.20 |
| Barley (Eng. feed) | Unq | |
| Maize (US No3 Yellow) | Unq | |
| Wheat (US Dark North) | Unq | |
| Rubber (Jul)♥ | 99.00p | |
| Rubber (Aug)♥ | 99.00p | |
| Rubber (KL RSS No1) | 358.50m | -5.5 |
| Coconut Oil (Phil)§ | 797.5w | +2.5 |
| Palm Oil (Malay.)§ | $485.0z | +2.5 |
| Copra (Phil)§ | $536.0w | |
| Soyabeans (US) | 213.0 | -3.0 |
| Cotton Outlook'A' index | 80.40c | |
| Wooltops (64s Super) | 434p | +6 |

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. x Aug. w Jul/Aug. z Jul/Sep ♥ London Physical. § CIF Rotterdam. ♣ Bullion market close. * Change on week. †Based on 1,625 head of pigs sold.

### JOTTER PAD

## CROSSWORD

No.9,106 Set by VIXEN



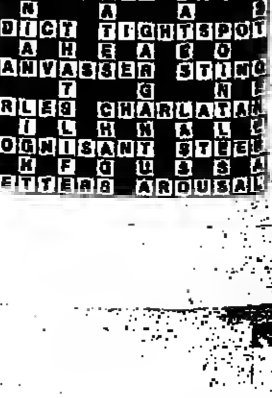
**ACROSS**

1 Answer sharply, still (6)
4 Note pamphlet put around is to beguile (8)
10 Generous donations secured with great craft (7)
11 The water level's dropping (3-4)
12 Giving thanks, one left the queue (4)
13 The ringleader of a sheepish crowd (4-6)
15 Instruments used in a new Glamorganshire factory (6)
16 A doctored pet kept inside so it becomes healthy (7)
20 Presented with the tip due (7)
21 Derby cricket team member (6)
24 Concerned with showing courtesy (10)
26 Check work by the way (4)
28 Once in credit, a quarter get interest (7)
29 Cut the villain and 12 (7)
30 Set about doing without cash when scared (8)
31 The defence is held to be at fault (6)

**DOWN**

1 Strange oriental story (8)
2 Making a change in spirit or giving up? (7,2)
3 Right charge up the bank (4)
5 A perfectionist's fancy table (8)
6 Exceptionally noble, so apt to be a server (10)
7 A Greek character put inside remains beastly (5)
8 The concept of a man interrupting a politician (6)
9 Good quality, as laid down (5)
14 Radical accepting organisation is hard to understand (10)
17 Only really well when in employment? (3,2,4)
18 The condemnation of "X" in dreadful scene (8)
19 Many waved, though handicapped (8)
22 Finds crates essential (6)
23 Order in French, do! (5)
25 Boy standing up super girl (5)
27 Some appear churlish, some sly (4)

Solntion 9,105



RECRUITMENT

## JOBS: It is increasingly argued that the education sector needs to become more involved in career development

# Bridging the gap between earning and learning

At whet point in our lives should school end and a career begin? The question is prompted by two oew reports from the Institute for Employment Studies urging a public debate on career development.

Career development has become something of a trendy concept in personnel management. The problem is that there seems to be e contradiction between companies' stated desires to develop their employees and popular business strategies for restructuring, involving job losses. The gap between the rhetoric of senior management and the perception of employees is one that oeeds to be addressed by employers, says the IES.

One employee interviewed during the research among some of the UK's top companies spoke of concerns about "the annual cull", the phrase used by fellow employees to describe fresh rounds of redundancies. Many viewed their companies' approaches to career development as dishonest.

Employees, the IES argues, need to be given e clear understanding of the underlying employment assumptions in their organisations, including the core skills the business will continue to require, the contribution expected of staff, whether expertise will be bought-in or home grown, and a predicted length of employment.

This seems worthy stuff. But how many employers are able to assess their future needs given the speed of change in many organisations?

Today's assumptions can change. The move towards focusing on core functions and contracting out the peripheral ones, for example, may prove no more enduring than the 1960s' fashion for diversification.

It is possible, bowever, for employers to be innovative over their workplace policies. This has been evident in companies such as Rover and Nissan in the UK which have introdoced imaginetive programmes to help employees build their careers. Levi Strauss has demonstrated – with plans to award a bonus of its 1996 earnings to all its employees six years hence if certain targets are met – that companies can take e different view towards employee development, reinforced with business goals that demoostrate a commitment to their workforces.

The IES found that while career development was high oo the agenda of the large companies in its studies, too many so-called initiatives had proved "gimmicky" or had not been sustained.

An almost bewildering array of human resource tools for career development has appeared in the UK over the past few years, including succession planning, graduate trainee schemes, development centres, mentoring, lateral moves, assignmeots, personal development plans; various forms of eppraisal, career workshops and National Vocational Qualifications. The challenge for policymakers is to use these tools effectively to develop individuals' careers, says the IES.

The institute wants the debate over their application to be broadened across society and within government. The merger of the former employment and education departments should have improved the scope for achieving this.

One of the IES studies, *Managing Careers in 2000 and Beyond*, carried out in conjunction with the Careers Research and Advisory Centre, discusses the oeed to associate "learning and earning". Child employment needs to be stringeotly regulated to preveot exploitation, but the report suggests that there may need to be some readjustment of attitudes towards child labour to allow young people to gain work experience. "Relationships between learning and work need to be established more strongly at an earlier stage," it says.

If society is to echieve an almost seamless transition between education and employment, with careers floctuating at intervals between the need for one and the other, it will need to reach a clearer understanding between the education establishment and employers.

The report recommends a broadening of career guidance services which could act as an agent of transition, with improvements in quality and quantity.

It also recognises the value of outplacemeot services which provide job search edvice for employees in redundancy programmes and, increasingly, advise in career development. But it appears to favour an integrated approach of public and private sector provision funded by "learning credits" or "training accounts", some of the more recently floated ideas. Whether or not this would be the best approach, the studies would seem to provide a welcome contribution to the need for a greater interchange between education and employment.

*Strategies for Career Development: Promise, Practice and Pretence by Wendy Hirsh and Charles Jockson (£20). Managing Careers in 2000 and Beyond by Charles Jackson, John Arnold, Nigel Nicholson and Tony Watts (£22). Both from BEBC, PO Box 1496, Parkstone, Poole, Dorset BH12 3YD (01202 715555).*

Is working good for our health? A difficult question to answer, but it is increasingly the case that employers believe we will all be much healthier if smoking is banned in the workplace. They may have e point.

A study of 18,000 US employees by the National Bureau of Ecooomic Research in Cambridge, Massachosetts, has produced conclusive evidence that workplece smoking bans bave reduced the amount of smoking by people in work.

The trend towards non-smoking workpleces seems irreversible. In 1985, some 25 per cent of US employees worked in establishments that banned smoking in work areas. By 1993, this had risen to 70 per cent.

While non-smoking policies were introdnced chiefly to rednce the exposure of non-smokers to second-hand tobacco smoke, the study has found, accounting for the influence of other factors, that they have also had an impact on the behaviour of smokers by reducing their opportunities to smoke.

The report found that smoking rates had fallen more steeply among tbose lo work than amoog tbe unemployed. Tbe prevaleoce of smoking among meo in work declined by almost 5 per cent more than it did for those out of work between 1976 and 1993.

If smoking policies can have such a widespread effect, it seems only a matter of time before more companies adopt alcohol baos. But wbereas smoking baos coocerned the impact of passive smoking on every employee, alcohol consumption is specific to the individual and is often outside the workplace.

Some employees have a clear legal responsibility to be free from alcohol – those who drive for a living, for example.

But what of those companies wbere there is no legal issue, but where employees' capacity for work is impaired generally by alcohol? The case for bans would require proof that abstinence from drinking did oot adversely impact on levels of stress, an increasingly serious workplace concern.

Taking the theme further, bow much should employers be responsible for the health of their workers? In some industries sucb as the chemical iodustry, bealtb and safety has been built into the culture of the workforce. Du Pont, for example, puts safety at the forefront of all its working practices to sucb an extent, it is considered to be a core function of the company.

In this area, at least, the corporate sector may soon be recognised as setting benchmarks of behaviour for the rest of society.

*Do Workplace Smoking Bans Reduce Smoking? by William Evans, Mathew Farrelly and Edward Montgomery is published by NBER, 1050 Massochusetts Avenue, Cambridge, MA 02138 ($15, including postoge). Tel 1 617 868 3900.*

**Richard Donkin**

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London
June 1996

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- Supervising the consultants/financial advisors engaged by PC for preparing the financial valuation, privatization strategy and selection of investors for the privatization of individual asset blocks; and assisting PC in due diligence, negotiations and documentation.
- Supervising the consultants/experts engaged by NEPRA for preparing NEPRA's work program, operational rules, regulatory procedures etc.
- Preparing summary reports, recommendations/plans, strategies etc. for approval of managements of the respective agencies or by the GOP; and
- Assist GOP, WAPDA, PC and NEPRA in implementing approved plans and strategies.

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b) **Financial Advisors:** an MBA/Chartered Accountant or equivalent; with at least 5 years' experience in privatization/corporatization of utilities, and/or power sector regulation. Preference will be given to those with experience in electric utilities of developing countries.
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Interested applicants should submit applications, along with full details of their relevant academic qualifications, experience, and names of at least two professional references, by July 22, 1996 to:

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Leading London based Bank is looking for 4 individuals or conceivably a team; from senior analyst through to Director level, with proven big ticket structuring and technical ability to advise its high level client base.

Candidates should be highly numerate, preferably with a good degree and a proven track record of marketing and negotiating at a senior level.

A background of credible relationship building, especially in the Power and Telecommunications sectors and a good knowledge of current financing initiatives would be advantageous.

Salaries between £45,000 and £105,000 plus substantial bonus opportunity and banking benefits.

**STRUCTURED FINANCE**
**London and Singapore**

Financial institution seeks a senior originator and closer of big-ticket transactions with experience of high-level negotiation and excellent documentation skills.

Asset experience is not as important as a good record of success in completing deals, the successful candidate will be expected to add value to shipping, aviation, land based transportation and PFI deals.

Individuals presently employed in the Legal or Banking professions would be most appropriate. The emphasis would be on a commercial outlook and the ability to work under pressure.

Salary up to £80,000 with a large bonus potential plus BB.

Interested candidates should write including a full curriculum vitae to: Bill Morrow or Matthew Winfield, Morgan Chase Europe Ltd., 54 Grosvenor Street, London W1X 9FT Telephone: 0171 629 5444 Fax: 0171 629 7445 e-mail: morganchase@[illegible]

**LONDON • MOSCOW • HONG KONG**

## Full Charge Accountant/Controller

The *Asian Crossroads Loan Company ("ACLC")*, a subsidiary of the Central Asian-American Enterprise Fund seeks "hands-on" Accountant/Controller.

ACLC extends small business loans in countries of Central Asia and seeks Accountant/Controller experienced in banking/financial institution record keeping. Incumbent will reside in Uzbekistan with substantial travel to other countries in the region.

Ideal candidate will be fluent in Russian and have several years of progressively responsible experience in hands-on bookkeeping, accounting, Accounts Receivable/Payable, loan income/payment processing, and PC LAN based accounting systems. Strong MS Word/Excel experience required.

This is single incumbent, hands-on position offering significant experience/responsibility for right individual. Significant growth and learning potential for enthusiastic, hard working individual. Minimum 18-24 month commitment required. CAAEF offers a comprehensive salary/benefits package but does not include spouse or dependent allowances.

Interviews to be held in late July. Resumes can be faxed to ACLC at US Area Code 703, fax number 560-7531.

## JAPANESE EQUITY SALES
**London**

Our client is a major international securities house with o long standing reputation for top rated research on Japanese equities.

An exciting opportunity exists for a successful individual to strengthen their well established sales team in London. You will be a highly motivated team player with a proven track record selling Japanese equities to a broad UK or European institutional client base.

For an initial discussion in confidence, please contact us quoting ref 5425 at 20 Cousin Lane, London EC4R 3TE. Telephone 0171-236 7307 or fax us on 0171-489 1130, or E-mail svaughane@stephens-uk.parasoft.co.uk

**STEPHENS**
SELECTION

STEPHENS

## CURRENCY OPTIONS BROKER

Currency Options Brokerage firm seeks individual to start up a second generation (exotic) currency options desk in Singapore. Desk will link existing NY and London operations.

Ideal candidate should have minimum 2 years experience brokering, sales, or trading in options. Knowledge of the exotic option product is strongly desired.

*Write to Box A5892, Financial Times, One Southwark bridge, London SE1 9HL*

## Commodity Trader

**London** **£ negotiable**

Our client, an expanding international Commodity House, is looking for a trader with a specialist knowledge of trading with the CIS in either the bulk Softs or Metals markets.

With a minimum of five years' experience, you must have extensive contacts within your particular field, a comprehensive understanding of the relevant logistical requirements and a thorough appreciation of the risk management issues inherent in this business.

Based in London, you must be able to travel extensively as required and have, ideally, fluency in Russian.

A genuine career opportunity for a motivated and ambitious self-starter to join a financially sound and professional organisation.

For further information, please contact Trish Collins.

EXCHANGE
Consulting Group

*13 St Swithin's Lane, London EC4N 8AL. Tel: 0171 929 2383. Fax: 0171 929 2805*

**ACCOUNTANCY APPOINTMENTS**

## GROUP FINANCE DIRECTOR

**MAJOR UK BASED INTERNATIONAL GROUP**

**MIDLANDS** **£120,000 TO £140,000 + BONUS + BENEFITS**

- Highly autonomous, profitable, £1.5 billion UK-based Group, with plans for growth both in UK and internationally.
- Recently undergone substantial cost-reduction exercise and restructuring of the business including strengthening senior management.
- Working closely with CEO, challenges include continuing cost control initiative, developing a commercially driven finance function as well as enhancing financial reporting and risk management controls.
- Graduate, qualified accountant, with proven track record at a senior level in a substantial industrial group. Experience of international project management is highly relevant.
- Stature and credibility to operate at Board level and develop effective business relationships with US parent and external advisers.
- Powerful intellect, excellent team-building ability and creative approach to problem solving.

Please apply in writing quoting reference 1170
with full career and salary details to:
James Thorne
Whitehead Selection Limited
4 The Courtyard, 707 Warwick Road
Solihull B91 3DA. Tel: 0121 709 0909
http://www.gbnet.co.uk/whitehead

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## FINANCE DIRECTOR

**ENTREPRENEURIAL OPPORTUNITY**

**BRISTOL AREA** **c.£50,000 + EQUITY + BONUS + BENEFITS**

- Established UK consumer goods manufacturer, heavily export orientated, with licensed retail stores in the Pacific Rim, Middle East, Europe and Americas.
- The company has undertaken a public offering and is therefore well funded. This positions the business for accelerated retail expansion along with strengthening of its manufacturing capability and senior management team.
- The Finance Director will exercise tight financial controls and develop dynamic costing, budgeting and planning which actively supports decision making. The broadly based role will include treasury management, banking relationships, UK/US statutory reporting and company secretarial responsibilities.
- Commercially-minded qualified accountant, most likely aged mid-30's, with a distinct entrepreneurial streak. Ideal background would embrace the consumer products sector and preferably a US public company.
- More important than specific experience are personal qualities, which include commitment, professionalism, an analytical approach and the ability to cope with long periods when the Chairman and Managing Director are overseas.
- This is a rare opportunity to influence the direction of a business with a very distinct brand and ambitious international plans. The successful candidate will be offered significant equity participation.

*Please apply in writing quoting reference 1177*
with full career and salary details to:
Nigel Bates
Whitehead Selection Limited
11 Hill Street, London W1X 8BB
Tel: 0171 290 2045
http://www.gbnet.co.uk/whitehead

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## Bank of Cyprus (London) Ltd

KOINO KYΠPI ΩN

## *Head of Internal Audit* *Central London*

*▪ Bank of Cyprus (London) Limited is the UK banking arm of the Bank of Cyprus Group, the premier banking and financial institution of Cyprus. Employing more than 180 people across eight locations in the UK, it has an impressive growth record and is consistently ranked amongst the most profitable foreign-owned banks in the UK.*

*▪ Reporting to the General Manager and the Audit Committee of the Board, the Head of Internal Audit will be responsible for the full internal audit strategy which is based upon a risk oriented review of controls. Leading a small team of highly motivated graduate assistants, the incumbent will also seek improvements in efficiency and the achievement of value for money.*

*▪ To be considered for this high profile position candidates must be qualified chartered accountants, either working in the audit function of a quality commercial environment or managing audits within a leading professional firm. Financial services experience, together with good systems knowledge, are both desirable. A knowledge of Greek would be an advantage.*

*▪ This is a first class opportunity to contribute immediately at a senior level, with real opportunities for career development into an operations or specialist banking role in the future.*

*▪ In addition there is a comprehensive remuneration package, which includes a competitive salary, profit share, non-contributory pension and company car.*

***▪ Please send your curriculum vitae, with current salary details and an explanation of how you meet these requirements, to Sarah Orwin, Ernst & Young Management Resourcing, Rolls House, 7 Rolls Buildings, Fetter Lane, London EC4A 1NH, quoting reference SO740.***

**ERNST & YOUNG**
The United Kingdom firm of Ernst & Young is a member of Ernst & Young International

## International Tax Specialist
## Zurich

**Swiss Re**

Swiss Re is a leading reinsurer in the world in terms of its financial strength, expertise and excellent client relationships. The Company was founded in 1863 and, today, currently employs approximately 7,000 people in over 25 different countries.

We are looking to recruit an International Tax Specialist who will be responsible for setting up a professional tax service based at our Head Office in Zurich. Working as part of a small team, your goal will be to optimise the worldwide tax position of Swiss Re through effective tax planning. You will also be required to deal with any direct or indirect taxation problems that may occur within Swiss Re Group companies.

To be successful you will have at least 5 years' experience in international taxation law and a thorough knowledge of Swiss national taxation legislation. You should also possess the ability to structure, plan and implement tax projects. Ideally, you should be of German mother tongue and also possess excellent English language skills. You will also need to be able to demonstrate good verbal and written communication skills and be able to work under pressure. In order to fulfil your duties you must be prepared to undertake a certain amount of foreign travel.

You should possess a degree in either business studies or law, together with a relevant professional taxation qualification.

A competitive Swiss salary is offered, with a comprehensive benefits package. As this position is based in Zurich, we are only seeking applicants who are interested in residing in Switzerland for at least five years.

To apply, please send your CV, stating your current salary to: Suzan Shutler, Human Resources Department, Swiss Reinsurance Company, Mythenquai 50/60, CH-8022 Zurich, Switzerland.

E-mail GBSRUHG5@IBMMAIL

Closing date: 1 August 1996.

## FT Les Echos
*Le Quotidien de l'Economie*

The FT can help you reach additional business readers in France. Our link with the French business newspaper, Les Echos, gives you a unique recruitment advertising opportunity to capitalise on the FT's European readership and to further target the French business world. For information on rates and further details please telephone:

**Robert Hunt on +44 0171 873 4095**

**APPOINTMENTS WANTED**

## INT'L AUDIT MANAGER

Heavyweight audit professional with a proven track record & many years varied world leaders experience (benking, service& airline industries). Swiss & Brit (45). working German & French.

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# Finance Director

**NORTH WEST** **c£55K + CAR**

This long-established and privately-owned shipping group continues to be an acknowledged market leader in its chosen sector of merchant shipping at a time when the global industry is experiencing significant change. In addition to both owning and chartering vessels, the group has a number of subsidiaries engaged in related maritime activities.

Reporting directly to the Chairman and a member of the small main board, you will have responsibility for all financial and information technology matters in the group and will head a function of some 30 staff. As well as your operational brief, you can expect a wide strategic and commercial involvement in the business and you will sit on the boards of a number of the subsidiaries. It is unusual for this organisation to appoint externally at this level and significant benefits are anticipated from the fresh thinking you will bring to the senior teams.

A graduate accountant, likely to be in your 40s, you will have enjoyed considerable success in wide-ranging financial management. Although specific sector experience is not required, you will have had responsibility for treasury matters and managed relationships with bankers and investors. Demonstrable commercial awareness and business systems literacy are also prerequisites and you should have the drive, enthusiasm and influence to quickly make an impact.

Please send full personal and career details, including current remuneration and daytime telephone number, in confidence to Peter Jones, Coopers & Lybrand Executive Resourcing Ltd, Abacus Court, 6 Minshull Street, Manchester M1 3ED, quoting reference P328 on both envelope and letter.

# Chief Financial Officer

**BASED POLAND** **EXCELLENT SALARY AND BENEFITS**

**The Company**

Our client is a market leader in international trading and financial services, it is quoted on the London Stock Exchange, and operates in more than 50 countries, employing over three thousand people. Their core activities include sourcing, supplying and processing a variety of agricultural products globally. They already have a significant presence in Poland, and have made a strategic decision to increase their Polish activities in order to expand their European base, resulting in the recent acquisition of a new processing plant. The business is run as an autonomous operating unit, and significant expansion is planned in the near future. Our client benefits from a long established reputation with customers and suppliers, and this venture is a natural extension of their activities.

**The Role**

As a key member of the [illegible] management information, and [illegible] strict financial controls, [illegible] oversee the MIS function, [illegible] development and training [illegible]

**The Person**

This position requires an individual with a strong commercial outlook who is able to add immediate value to the business. It would be advantageous if you are currently working as a Senior Financial Officer within a commercial company in Poland, possess a good knowledge of PC's, and are a qualified accountant or equivalent. The successful candidate will speak fluent Polish and English.

A generous remuneration package is offered which reflects the status of this position and includes a performance related bonus. In addition there are excellent career prospects within the group's global businesses.

*Please send a full resumé with covering letter quoting ref 3006 to:*
*8 Alice Court, 116 Putney Bridge Road, London SW15 2NQ, UK. Tel: +44 (0) 181 874 2744.*
*Fax: +44 (0) 181 871 2211.*
*All applications will be treated in the strictest confidence.*

ANTAL INTERNATIONAL
*'Serving New Europe'*

# Group Financial Controller

## Manufacturing

**c.£50,000 + Bonus, Car & Options** **London**

*Strategic appointment at the heart of a market-leading UK plc with ambitious international agenda.*

THE COMPANY
- Highly productive, £65m turnover manufacturer with operations in Europe, North America, Australasia and Pacific Rim.
- Growing and profitable. Lean, non-bureaucratic with small, dynamic, cohesive corporate team.
- Market leader in core products. Acquisitive, tightly financially controlled, co-ordinated global approach.

THE POSITION
- Responsible for all group accounting, consolidations and multicurrency cash management. Report to Group Finance Director, member of executive team.
- Manage audit process. Provide support to acquisition investigations. Ad hoc business projects.
- Maintain group accounting standards. Provide taxation advice, develop integrated systems strategy. Close liaison with subsidiaries.

QUALIFICATIONS
- Graduate Chartered Accountant, ideally "Big Six" trained. Probably 5–10 years' PQE.
- Manufacturing industry experience preferred. Exposure to sophisticated financial control in major, multicurrency group. Willing to travel.
- Energetic, flexible and tenacious. Mature and able to meet demanding deadlines. Enquiring, challenging and committed. German language skills an advantage.

*Please send full cv, stating salary, ref LG60608, to NBS, 54 Jermyn Street, London SW1Y 6LX*

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# Manager - Internal Audit

## An international role in natural resources

Package to £50,000 London base

For an experienced auditor, this is an exceptional opportunity to join a highly successful international natural resources group with operations and joint ventures on a global scale.

Operating out of London, you will assist the Chief Internal Auditor of Minorco in the effective implementation of internal audit programmes throughout the Company. Specifically, you will be responsible for the planning and execution of internal audits within our mining and mineral companies in North America and Europe, a task which will require your active participation in the detailed audit work involved.
You could also be called upon to assist or carry out audits in some of the Company's other interests around the world.

In addition to an ACA, ACMA or ACCA, you should have at least five years' post-qualification experience, together with a strong audit background preferably gained within the internal audit function of a large multi-national company. "Big 6" experience will be considered and line accounting expertise would be advantageous. Knowledge of the accounting practices relating to extractive industries is also important and you will need a thorough grasp of internal control principles.

An articulate and highly capable communicator, you must have the personal presence necessary to influence people at all levels of seniority within the organisation. A knowledge of German is desirable, and you must be prepared to undertake significant travel within North America and Europe.

The attractive salary will be supported by the benefits expected of a leading international company.

**Please write, in confidence, with full career details to the HR Consultant, Minorco Services (UK) Ltd, 40 Holborn Viaduct, London EC1N 2PQ.**

MINORCO

**SIEMENS**

Siemens is recognised as being one of the largest, most prestigious and innovative electrical and electronic engineering manufacturers in the world. In the UK alone, the business ranges from Power Generation to Healthcare, from Semi-conductors to Information Systems and from Automotive Products to Lighting. The company is aggressively pursuing a strategy of strong growth through a programme of organic and acquisitive expansion with turnover over £1.5 billion in the UK.

# Head of Internal Audit

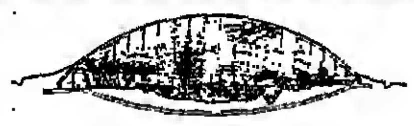
**Bracknell/Manchester**
**to £50,000 + Car + Bonus**

This vacancy has occurred following an internal promotion. Reporting to the Director of Finance and working at the most senior levels within the operating divisions, the prime function of this position is to provide an effective independent review of each business' strategy, operations and day-to-day activities. The audit team are responsible for far more than simply compliance issues and the Head of Audit must be capable of understanding the specifics of a business quickly in order to deliver an incisive appraisal of areas such as the strategic plan, threats and opportunities facing the company, management strengths and development areas and so on. It is critical that the successful candidate has the credibility and commercial understanding necessary to influence senior managers across all the businesses.

Candidates are likely to be qualified accountants, aged 30-45 and from one of three backgrounds - an internal audit department of a multi-national organisation, a broad commercial role in a blue-chip company or a Senior Manager within the profession. Most importantly, they must have the ability and desire to progress their career beyond audit into a divisional Financial Directorship or operational role.

Interested candidates should write, enclosing a full CV, day-time telephone number and details of current remuneration, quoting reference number 294958 to Dan Chavasse at Michael Page Finance, First Floor, 40-42 High Street, Maidenhead, Berkshire SL6 1QE.

KPMG



# Finance Director

National Botanic Garden of Wales c. £50,000 + car

A financial brain, but a commercial mind. A not uncommon mix in recent generations of accountants who find their position increasingly at the sharp end of business - and precisely what we need to pioneer one of the most unusual, demanding, and undoubtedly personally satisfying ventures of the decade.

Backed by Millennium funding, our client is creating the first new botanic garden this century. As well as being a public attraction of some magnitude, the garden will be a scientific centre of international standing - undertaking advanced research in the areas of conservation and plant biology.

For the small management team who we tasked with creating the garden, the achievement will be a lasting legacy to their professional talents and personal imagination.

Working closely with the Director of the Garden, your territory will embrace all commercial, financial and management accounting procedures, information technology and administrative matters for the initial phase of construction, due to be completed in 1998. Thereafter, the emphasis will be on the commercial development of the garden, by providing strategic advice and commercial insight to line managers.

You will have handled projects of a high value, possibly including direct experience of construction. You know what it means to take tough commercial decisions in a challenging business environment and know the difference between managing and liaising with suppliers/contractors. We're keeping an open mind on the nature of your commercial background, but clearly there are obvious parallels with aspects of the leisure industry, events venues, construction/buildings management and tourism.

In particular, your IT skills/knowledge must be recent and include specifying and installing accounts/MIS systems.

A robust personal style should not hide your integrity, maturity and vision that makes you an excellent bridge to institutional and commercial fund providers, scientists and a host of other parties deeply interested in the success of the venture. Someone who gives their full personal energy to a task, we need an individual ready to offer a long term commitment to the project.

***To apply, please send your CV to Mavis Would or Chris Beer, KPMG Selection & Search, Marlborough House, Fitzalan Court, Cardiff, CF2 1TG. Tel: 0117 946 4000. Fax: 0117 946 4041.***

**KPMG Selection & Search**

# Senior Financial Analyst

Malaysia Based Highly Competitive Package

Our client is one of the world's leading energy organisations, with an outstanding growth record within the Asia-Pacific region. This success has created a requirement for additional high calibre financial individuals to drive the business forward.

Joining a proactive team, you will evaluate and assess the financial viability of major capital projects. Your performance will play a key role in the success of the region. Main duties to comprise:

- Development of sophisticated financial models to assess project viability
- Appraisal and evaluation of project risks
- Assisting in the project management of defined acquisitions from identification through to financial close
- Provision of financial advice to senior management

Candidates should be qualified accountants or MBAs and possess a minimum of three years experience in an analytical financial role, allied with strong PC skills. A hands-on approach is crucial, as is the ability to keep an eye for detail yet maintain an overall perspective. Knowledge of the energy sector would be an advantage, but is not essential. In addition, excellent communication skills, combined with a confident and credible manner will be necessary to handle the many inter-relationships at senior level, both internal and external to the organisation.

To discuss this opportunity in total confidence, please contact Julie Thompson on +44 (0) 171 405 4161. Alternatively, send your CV to her at the address below. Interviews will be held in Kuala Lumpur, Singapore and London.

FMS, 5 Bream's Buildings,
Chancery Lane, London EC4A 1DY.
Tel: +44 (0) 171 405 4161. Fax: +44 (0) 171 430 1140.
Email: 100621.2024@compuserve.com
We have offices in London,
Birmingham, Manchester and Lewes.

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For further information please call:

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**+44 0171 873 4054**

**Toby Finden-Crofts**
**+44 0171 873 3456**

# GROUP ACCOUNTANT - WITH SPARK!

**City** **c£30,000 plus profit share**

My client is an established, highly respected and profitable private group of insurance and reinsurance broking companies.

Its structure is continually evolving requiring its accountants to be more than just accountants. Regular liaison with subsidiary company managing directors is called for to agree matters such as group charges, cash requirements and profit related pay calculations as well as the more normal requirements of management accounts, taxation, VAT and statutory accounting for its main London based subsidiaries.

An academically and professionally well qualified accountant is required to fulfil this role. It would suit someone making their first or second post qualifying move. Some knowledge of the workings of the insurance broking industry and of Lloyd's is highly desirable. It is envisaged that additional responsibilities will attach to this position in due course.

If this opportunity may interest you please send a full CV to Douglas G Mizon, FCA, FIMC at Mizon Executive, PO Box 51, Hatfield, Herts. AL9 7BJ.

MIZON EXECUTIVE

# FINANCE PROFESSIONALS
## AMSTERDAM-THE NETHERLANDS

Our client is the European Head office of a US multinational, one of the major players in the logistics service industry, with operations in the United States, Canada, Mexico and throughout Europe.

As a result of strong expansion of the European operations, they have an immediate need for 'top notch' *finance professionals for the centralised European finance department.* The positions offer a high degree of responsibility and exposure to executive management. Career development opportunities are excellent for high calibre candidates.

We would like to hear from business-orientated finance professionals who can demonstrate substantial experience in the following areas:

### ACQUISITION ANALYST
- financial analysis and modelling of acquisition targets
- preparation of pro-forma financial statements
- preparation of management presentations to Board of Directors
- ad hoc acquisition related analysis
- due diligence
- reporting to the *European Manager Financial Planning & Analysis*

To have gained at least 4 years relevant finance experience from one of the Big Six and/or international companies. To be a qualified Accountant (CPA/ACA/RA), with acquisition analytical experience.

### MANAGER GENERAL ACCOUNTING
- management of the *multinational accounting* operation
- supervision of 12 staff
- implementation/consolidation of new acquisitions
- reporting and optimising management information
- multi currency accounting of six regions
- fleet accounting
- statutory accounting
- *reporting to the European Controller*

To have gained at least 4/6 years (managerial) finance experience from one of the Big Six and/or international companies. To be a qualified Accountant (CPA/ACA/RA), computer literate with preferably US GAAP knowledge.

### FINANCIAL ANALYST
- preparation, consolidation and analysis of branch, country and region budgets
- preparation of variance analysis of actual results versus plan and prior year results
- preparation of management presentations to Board of Directors
- preparation of ad hoc analysis
- frequent contacts with regional and operational management
- *reporting to the European Manager Financial Planning & Analysis*

To have gained at least 3/4 years relevant finance experience from one of the Big Six and/or international companies. To be a qualified Accountant (CPA/ACA/RA), with analytical experience.

### SENIOR ACCOUNTANT
- periodically financial accounting of one or more countries
- preparing analysis and management information
- preparation of journal entries
- balance sheet reconciliations
- ability to quickly learn company and local country accounting requirements
- statuary accounting
- frequent contacts with regional and operational management
- reporting to the Manager General Accounting

To have gained at least 3/5 years relevant finance experience from one of the Big Six and/or international companies. To be a qualified Accountant (CPA/ACA/RA), computer literate with preferably *US GAAP* knowledge.

*The ideal candidates should have an excellent working knowledge in English; a second European language is desirable. Excellent oral and written communication skills are essential. Key characteristics are: drive for results, selfstarter, pro-active and strong analytical skills.*

To express your interest in these opportunities, please send or fax or E-mail your updated curriculum vitae to **Elisabeth M.M. Huigen, Robert Walters Associates, 'Rivierstaete', Amsteldijk 166, 1079 LH Amsterdam, The Netherlands. Tel: 00-31-20-644 4655, E-mail: elisabeth.huigen@robertwalters.com or Fax: 00-31-20-642 9005.**

ROBERT WALTERS ASSOCIATES

LONDON WINDSOR NEW YORK AMSTERDAM BRUSSELS SYDNEY WELLINGTON

## EUROPEAN CONTROLLER

Dynamic Growth Environment

Berkshire

c.£40,000, *car*

Our client is a major force in its industry and as a result of its unique approach has enjoyed rapid growth *to date.* As part of aggressive plans this exciting but challenging role has arisen.

Reporting to the European Finance Director you will:

- Be responsible for the month-end close and all aspects of year-end statutory reporting
- Review local statutory requirements throughout the European operating companies
- Ensure that the Finance area and its staff are developed to support the company's expansion
- Develop and control multi-currency cashflow management, an essential area for future European growth

To respond to the demands of this environment and its growth plans you must demonstrate stamina, *flexibility* and constant drive. You will be a *Qualified Accountant* with a high *level of technical knowledge* and previous experience of external reporting. You must be able to apply your skills in a fast-moving, commercial environment and have the enquiring mind necessary to uncover the financial issues which will *undoubtedly arise from the company's growth.*

*An ability to think quickly and respond decisively is essential.* Good leadership skills are vital as is the commercial credibility to influence peer group and senior management.

Interested candidates should write with full CV, quoting current rewards package to Karen Wilson, Hoggett Bowers, 7-9 Bream's Buildings, Chancery Lane, London EC4A 1DY. Tel: 0171 430 9000. Fax: 0171 405 5995 quoting ref: HKW/4474/FT.

INVESTOR IN PEOPLE

**Hoggett Bowers**
EXECUTIVE SEARCH & SELECTION

THE PSD GROUP

## FINANCIAL CONTROLLER

FMCG Market Leader

Lisbon

Attractive package, car, bonus

Our client, the European division within a major multi-national plc, is a market leader in its area of high profile branded goods.

A new Financial Controller, reporting to the local Managing Director but with a strong dotted line to the UK, is now required to rapidly develop the Finance function in the Portuguese operating company (turnover c.£30 million). Specifically you will:

- Establish and develop a strong financial control environment
- Contribute positively to the commercial *development of the business, which has considerable potential*
- Seek and implement positive improvements to both current practices and proposed actions
- Enhance all aspects of reporting for Group and internal management purposes as well as for local statutory requirements

You will be a qualified Accountant with a strong technical background, an attention to detail and well-developed *strategic vision.* You must be able to drive through necessary developments via your personal credibility and strong influencing skills.

Previous experience of managing change within a fast-moving International Group is essential. You must be *able to identify and communicate the needs of the Portuguese operation in wider European* developments. Ideally you should be able to operate with equal ease in both Portuguese and English and have knowledge of *local Portuguese accounting issues. Essentially you must have worked in at least two* European countries and have a second European language.

Success in this role will lead to exciting opportunities within the Group.

Interested candidates should write with full CV, quoting current rewards package to Karen Wilson, Hoggett Bowers, 7-9 Bream's Buildings, Chancery Lane, London EC4A 1DY, Tel: 0171 430 9000, Fax: 0171 405 5995 quoting ref: HKW/4495/FT.

INVESTOR IN PEOPLE

**Hoggett Bowers**
EXECUTIVE SEARCH & SELECTION

THE PSD GROUP

*To £50,000 + bonus + benefits* *Industrial Products* *North West*

## Finance Director

***This c. £200 million division is key within a major international engineering business and is seeking to appoint an energetic and enterprising new Finance Director. The Group is investing heavily to establish itself as a world-class manufacturer of high volume products, the consequence of which is a change programme offering a unique opportunity for a dedicated individual to make a significant impact on the commercial success and profitability of the business. The role will require a practical involvement in the running of the business, along with the rest of the Senior Team.***

**THE ROLE**
- Reporting to the Managing Director, a key member of the new board team with specific responsibility for supplying a comprehensive professional financial service.
- Introduce an integrated and disciplined approach to the reporting of divisional performance and provide effective management information to facilitate business tracking and decision-making.
- Input positively to the restructuring of the organisation and its information systems. Act as a primary interface in the communication of business progress to senior group management and shareholders

**THE QUALIFICATIONS**
- Aged 35+, a qualified accountant with technical excellence gained from working for a blue-chip, multi-site manufacturing organisation serving competitive markets where product costing and profitability are critical.
- Experience of positive turnaround situations where the introduction of new IT-based systems has been a key feature. Commercial skills to contribute strategically to the development of the business as a whole.
- Stature and leadership to build and mentor a strong team. A champion of sustainable change, with resolve, drive and ambition.

Leeds 0113 2307774
London 0171 493 1238
Manchester 0161 499 1700

Selector Europe
Spencer Stuart

Please reply with full details to: Selector Europe, Ref. [illegible], Adlington Court, Greencourts Business Park, Styal Road, Manchester M22 5LG

*To £80,000 + benefits + equity* *International Engineering Distribution* *East Midlands*

## Group Finance Director

***A rare opportunity for a pragmatic, commercially minded financial director to join this newly created global, profitable and growing £100 million turnover business which is shortly to be floated. Key tasks will be to prepare for the flotation and thereafter support the Chief Executive in developing further this strongly positioned business by providing the financial framework and controls to support both organic growth and acquisitions.***

**THE ROLE**
- Supporting the Chief Executive by implementing and sustaining the financial management, tax and treasury infrastructure to deliver enhanced commitment, innovation and performance across the group and prepare the business for flotation.
- Creating and leading a group finance function building on existing impressive management information systems to support operations and evaluate corporate development opportunities.
- Building strong City contacts and ensuring first-class support from all external advisors and investors.

**THE QUALIFICATIONS**
- Ambitious, tough and resourceful graduate calibre accountant with strong financial management, tax and treasury skills gained from a tightly controlled global engineering or industrial distribution business.
- Resolute and tenacious analyst able to establish appropriate corporate structures and also contribute to strategic planning process.
- Adept communicator, able to influence and guide functional reports and handle fluently relationships in the City and with shareholders, having had PLC experience at least at the number two level.

Leeds 0113 2307774
London 0171 493 1238
Manchester 0161 499 1700

Selector Europe
Spencer Stuart

Please reply with full details to: Selector Europe, Ref. [illegible], 16 Connaught Place, London W2 2ED

## Divisional Controller

*High Volume Manufacturing*

Northern Home Counties

c £45,000 + car & comprehensive benefits

Our client is the largest, £60million turnover, division of a British owned manufacturing Group, with plants at various locations in the UK and Europe. The position reporting to the Managing Director is a key one in the Executive and there is a small supporting team.

Candidates will probably be aged in their 30s, but must be qualified, graduate accountants with several years accounting in a relevant high volume manufacturing environment e.g. components, packaging, food, cosmetics or pharmaceuticals. Most importantly, he or she needs a high level of *commercial awareness and good* interpersonal and communication skills.

*The post will be of particular interest to those seeking and capable of making their subsequent career move into general management. The excellent package will include a salary* of c£45,000, fully expensed car, share options, etc. and relocation expenses if appropriate.

Please reply in complete confidence, with a full cv including latest salary details, to David Thompson, Managing Partner, David Thompson Associates, Bacombe Rise, Ellesborough Road, Wendover, Bucks HP22 6EL.

DAVID THOMPSON ASSOCIATES
CONSULTANTS IN EXECUTIVE RECRUITMENT

## Finance Director
### *TV / Leisure*

London — £60,000 + Bens

An unusual and exciting opportunity to join an expanding group in a key role where you will have a major influence on the future development of the business.

The company is a diverse group operating in television *production, distribution,* and hotels with a turnover of £5m and offices in London and Bristol with a hundred employees. On the television side, the company makes programmes for the main broadcasters, and is considered a leader in its specialist fields.

Responsibilities of the post include:
- Direct commercial involvement in managing TV and leisure divisions.
- Complex contract negotiations.
- appraisal of new business opportunities.
- Budget preparation and forecasts.
- Management of a small accounts team.
- *Presentations of financial information to the board.*

Candidates should be able to demonstrate:
- a first rate academic background (as well as being a fully qualified accountant)
- at least four years commercial experience
- proven managerial, personnel and negotiation skills
- experience of the industries involved or of similar industries.
- a desire for management as well as financial responsibility.

We are young dynamic company, and the successful candidate is likely to be aged 30-40. She or he will relish the opportunity to apply their financial expertise to the day to day running of a company as well as planning its future growth.

The closing date for applications is July 8th. Please send your CV to Box A5897, Financial Times, One Southwark Bridge, London SE1 9HL

EXECUTIVE CONNECTIONS

# Fraud Auditor

**London** **From £35,000 + Car + Benefits**

Our client is one of the world's premier FMCG and retail groups, with a turnover in excess of £6bn. In order to build upon their prominence in the market, a challenging new role has been identified within the group's internal audit team.

Reporting directly to the Group Internal Audit Manager, the position has a remit that covers not only the planning of general audit and fraud investigations, but also the ongoing development of a group strategy to prevent and detect fraudulent activity. More specifically, duties will include:

- Leading teams in the investigation of fraud allegations.
- Planning and co-ordinating appropriate audits.
- Assisting department managers in the development of fraud detection procedures to be utilised by internal audit staff.
- Increasing fraud awareness through the education of managers, audit staff and other key personnel.

To meet the challenges of this role and to achieve the envisaged progression within the group as a whole, you will be a qualified accountant with 3 to 5 years' audit experience and a minimum of 3 years' investigative fraud experience.

The high profile nature of the role calls for exceptional communication skills coupled with a diplomatic nature and the strength of character to facilitate change where necessary. A second European language would be advantageous as the successful individual would be expected to undertake significant international travel (c40%).

To further your interest in this exceptional career opportunity please forward your CV to our retained consultant Matthew Deswood at Executive Connections, 43 Eagle Street, London WC1R 4AP. (Fax: 0171 831 4571). E-Mail: response@executive-connections.co.uk If you have any questions, then please telephone on 0171 242 8103 (evenings/weekends: 0171 254 2807).

# Investment Manager

Glasgow Investment Managers (GIM) manages portfolios for pensions funds, investment trusts and a friendly society. The provision of good investment returns and a personal service to clients has resulted in funds under management doubling in the last year. GIM now wishes to recruit a young investment manager or analyst with about five years experience, principally in UK equities, who is attracted by the freedom, responsibility and fun of being involved in the further development of a small, successful and rapidly growing organisation. As well as the skills needed in evaluating investment opportunities you will possess the personal qualities required to communicate effectively with current clients and present competitively to intermediaries and potential clients. An attractive remuneration package is on offer, supported by the opportunity of substantial personal development. Please apply, with full career details, to R J Cleland, as adviser to the company, at Thomson Partners Ltd., 1-11 Hay Hill, Berkeley Square, London W1X 7LF or 14 Sandyford Place, Glasgow G3 7NB.

Thomson Partners
Search and Selection

*Price Waterhouse*

*EXECUTIVE SEARCH & SELECTION*

# Chief Financial Officer - Europe

**c.£65,000 + superb benefits M4 Corridor**

### About Us

We operate at the forefront of technology providing state of the art solutions and systems to major national and international clients throughout the world. You may never have heard of us, yet we have nearly 20,000 employees in around 500 offices worldwide and revenues of over $2 billion. Although a major corporation by any standards, we are different. We are owned by our employees and this creates a unique atmosphere providing small company flexibility and spirit, combined with global strength and technological expertise that is second to none.

### The Role

As Chief Financial Officer for our European operations, you will oversee the financial strategy and control throughout the region. Based in our European financial headquarters just off the M4 and within easy reach of London, you will head up a very small finance team. The majority of accounting is handled within the subsidiaries and operating divisions and your role will be to ensure corporate standards are maintained. You will also be operating at a strategic level in respect of help and guidance to top management. In addition, you will liaise constantly with the USA and be involved in business development and acquisitions.

### About You

You will be a qualified accountant (Chartered or Certified) and are likely to be a graduate. Age is less of an issue, providing you have the necessary energy and dynamism and are still prepared to be hands-on when required. You must have the maturity and stature to deal with executive relationships throughout Europe.

You will have reached a senior level in heading up a finance function. You should have multinational experience (particularly including US reporting and covering France and Germany) and knowledge of US and UK GAAP. You should also have experience of dealing with Banks. Experience of working with sophisticated accounting systems is important, and if you have experience of SAP accounting systems this will be an enormous advantage as will fluency in either German or French.

### What next....

Does this sound the sort of role that appeals? If so, please write to our advising consultant, Alannah Hunt, quoting reference A/1636 with a CV and convince her why you have the qualities and experience to take on this challenging role.

Executive Search & Selection,
Price Waterhouse,
No 1 London Bridge, London SE1 9QL.
Fax: 0171 403 5265
E-Mail: Alannah_Hunt@Europe.notes.pw.com

# Hays Accountancy Personnel

CREATIVE
CREATIVE LABS

**UK Finance Manager**

Berkshire

to £40,000 Package + Benefits

**The Company**

Creative Labs is the world's leading provider of multimedia hardware and solutions for personal computers. Encompassing sound, graphics, communications and video conferencing products, its famous Sound Blaster technology is acclaimed as the worldwide standard sound platform for PCs.

**The Role**

Reporting to the financial controller and supervising a dedicated team of three staff, you will be responsible for:

- Management of the UK accounting system and controls, and the production of all financial/management information for senior management
- Preparation of budgets and annual plans for the UK operation, monitoring performance and recommending action where appropriate
- Provision of sound commercial advice in a rapidly changing environment
- Continuous development of customer relationships to ensure credit management is proactive and cashflows maximised

**The Appointee**

You will be a qualified accountant with a minimum of five years' commercial experience, preferably in a fast-moving environment. Experienced in managing a finance and administration team and integrating a finance function into the wider sales and marketing operation. Possessing a strong customer focus, you will have the ability to think beyond the financial arena and give positive input into the commercial direction of the company.

To apply, write enclosing your cv and current salary details to our Recruitment Advisor, Iain O'Dair at Hays Accountancy Personnel, 43 West Street, Reading, Berkshire RG1 1AT. Tel: 01734 591751; fax: 01734 505914. This position is being handled exclusively by Hays Accountancy Personnel, any direct applications will be forwarded to them.

COMMITTED TO QUALITY AND EQUALITY

engineeringcouncil

# FINANCE DIRECTOR AND SECRETARY

**£50,000 + benefits** **London**

The Engineering Council is the national co-ordinating body for the engineering profession, advancing educational initiatives and promoting the science and practice of engineering for the public benefit. The current Finance Director and Secretary is retiring later this year and a new Director is now sought to direct and control the Secretary's Directorate, with an annual budget of c.£2.4 million.

### The Position

- Report to the Director General.
- Act personally as Secretary to the Engineering Council Senate, Executive Board, Finance and Audit and Election Committees.
- Maintain the Council Register of Engineers and Technicians.
- Manage the finance function and be responsible for comprehensive, accurate and timely management/financial accounting and budgetary information.
- Supervise the management services section including personnel and facilities management.

### The Requirements

- Broad experience in financial management and company administration.
- A recognised accounting or Chartered Secretary qualification would be highly desirable.
- First-class written and oral communication skills.
- Effective management skills to organise priorities and resources to meet the aims and objectives of the Council.
- Integrity, loyalty, a positive personality and a commitment to engineering.

Please send your CV with current salary details to: Geoffrey Mather, K/F Associates, 252 Regent Street, London W1R 6HL, quoting ref: 90949/C. Alternatively send by fax on 0171 312 0020 or e-mail to cv@kfaeurope.com

Internet Home Page: http://www.kfaeurope.com/kfaeurope/

K/F ASSOCIATES
BOYDEN/FERRY CARRE/ORBAN INTERNATIONAL

# Finance Director Designate

**£35K + Car** **North West Kent**

Our client is a successful growing family business of £6m turnover in the garden centre sector. The company is now looking to appoint a Finance Director Designate to assume full responsibility for its financial and management accounting activities. Career prospects are excellent and the successful candidate can expect an early appointment to the board.

**The Role**

- Reporting to and working closely with the MD.
- Supervision of a small accounting team in producing accurate and timely management information.
- Development and implementation of strong financial controls and management information systems.
- Production of statutory financial statements and liaison with the auditors.
- Effective financial planning, budgetary control and forecasting.
- Evaluation of strategic issues related to possible future acquisitions and the growth of the business.

**The Requirements**

- A qualified accountant probably aged 30-40
- A "hands-on" professional with network IT experience and knowledge, and the technical ability to develop and implement systems as required.
- A high level of communication and interpersonal skills with the ability to manage and motivate staff.
- Ability to contribute to the broader aspects of the business.

Please reply in writing enclosing a full cv with current salary details to Patricia Marshall at the address below.

*Expert advisers to growing businesses*

BDO
BDO Stoy Hayward
Chartered Accountants

# LUSTIG,

*daß ein Unternehmen, das immer mit tödlichem Ernst darauf bedacht ist, das Beste zu sein, nie den Bezug zu den angenehmen Seiten des Lebens verliert.*

## INTERNAL AUDIT SENIOR - FLUENT GERMAN

**West London £ competitive**

Contrary to popular belief, internal auditing doesn't have to be dull. Our young and dynamic team is responsible for all our operations throughout Europe, Africa and the Middle East.

Think Gillette and you think razors, but the Group includes household names such as Right Guard, Parker, Braun and Oral-B. We can promise you a rich variety of work and within 18 to 24 months a wider business role through a personal development plan.

As a senior, your remit will involve more than leading audit teams. The brief includes proactive departmental involvement and the chance to enhance your broader skills within a Company that believes passionately in providing opportunities for its people.

A recently qualified graduate ACA, fluent in business German and internationally mobile (approximately 30% to 40% of your time will be spent overseas), you are a team player and possess that rarest of commodities...a sense of humour.

If you can work effectively under pressure whilst keeping an open mind, then this is a superb opportunity to join a well respected team, in one of the few, truly global, "blue chip" organisations.

Financially too, you'll be well rewarded. As well as a competitive salary, the comprehensive benefits package includes a non-contributory pension, opportunity for share ownership, bonus and relocation assistance.

*Interested? Then write with full career and salary details to: Claire Barrow, Senior Personnel Officer, Gillette UK Limited, Great West Road, Isleworth, Middlesex TW7 5NP.*

The Gillette Company

# CHIEF FINANCIAL OFFICER

**Southern Home Counties** **c. £45,000 + car**

Our client is an international, engineering related, technical services group and is part of a successful multinational corporation. This is an exciting stage of the company's development: plans are in hand to double turnover by the turn of the century, both by organic growth and acquisition.

A Chief Financial Officer is required who will be an integral part of the management team that takes the company forward. Reporting to the Chief Executive, you will assume responsibility for the group's finance and commercial function. Initially, this will require ensuring that systems and resources are adequate to meet current and future needs of the group and taking appropriate action as indicated. Thereafter, the CFO will work closely with the Chief Executive running the group operations. The role will require extensive travel, assisting regional and country managers to profitably manage their businesses.

To be considered for this role, you will be a graduate, qualified accountant with previous financial management experience in an engineering, construction or other related industry. You will have superior finance and control skills, together with the commercial acumen to assume wider responsibilities. Well developed communication, interpersonal and negotiations skills together with some international experience are required. Languages would be useful.

Please send a comprehensive cv to Frances A. Bell, quoting reference number 3524, at Deloitte & Touche Consulting Group, Stonecutter Court, 1 Stonecutter Street, London EC4A 4TR.

**Deloitte & Touche Consulting Group**

# QUARTO

**TREASURY MANAGER**

Successful, quoted international publishing company seeks an ambitious treasury professional for a varied and demanding head office role.

Reporting to the group finance director the appointee's key responsibilities will be to establish treasury policies, strategies and operational procedures to ensure they meet the evolving requirements of the group's business. The role, which is a new one, will include managing the groups funding requirements, the groups working capital needs and currency exposure in addition to interest rate management.

Suitable applicants will be graduates with a professional qualification in treasury management, accounting or banking, with extensive experience in treasury management in a major international organisation. Numeracy, well developed analytical skills, a high level of initiative as well as strong communication skills are essential.

Interested candidates should write and enclose a CV with current salary details to:

M.J. Mousley, Group Finance Director,
The Quarto Group Inc., 6 Blundell Street, London N7 9BH

## APPOINTMENTS ADVERTISING

appears in the UK edition every Wednesday & Thursday and in the International edition every Friday.

For further information please call:

Toby Finden-Crofts on +44 0171 873 3456
Andrew Skarzynski on +44 0171 873 4054

# IT Senior Appointments

## REAL-TIME FRONT OFFICE TRADING SYSTEMS

# CONSULTANT

**to £60,000 + benefits**

INTERNET leads the way in banking systems by providing solutions to the world's major banks. Open Link is a new product covering Treasury, Capital Markets, Derivatives, Commodities and Risk Management in a client-server environment to offer all the capabilities required by Trading, Management, Sales, Operations and Accounting. Open Link is a highly evolved system that fully and powerfully meets the needs of today's global financial community.

INTERNET has set up a new team to launch Open Link in Europe, and a Consultant is now required to work closely with clients at the practical implementation stage.

As part of the team, you will lead our client organisations through the analysis and interpretation of their requirements, and the fulfilment of those needs through the Open Link system. With responsibility for the success of the client's project, you will need to liaise effectively with the trading room management at the highest level to ensure their satisfaction.

A self-motivated and highly mobile individual, your relevant experience will have been gained either in a leading financial institution or in a specialist information systems company. Your experience will include:

- a knowledge of banking products, especially Derivatives and Risk Management theory
- front office installations
- *project definition and management.*

The successful candidate will need to travel extensively on a regular basis. This position commands an attractive, negotiable salary. Generous benefits include quarterly bonus, 25 days' holiday, medical and insurance package and an additional four week sabbatical after four years' service. Most importantly, you will be working in a small, highly-motivated team where your contribution will be highly valued.

Please write with full career details, including current salary, and quoting Job ref: OLPC, to **Employee Services – Europe, Internet Systems, Hollywood House, Church Street East, Woking, Surrey GU21 1HJ. Fax: 01483 740412.**

INTERNET
INTERNET SYSTEMS CORPORATION

## Senior Business Analysts

**City** — **Excellent package & banking benefits**

**Investment Management Company**

- Technical involvement from feasibility to implementation of projects that focus on key requirements.
- Identify technology and technique opportunities to enhance business profitability.
- Develop system requirements for medium/long term aligned to unit business planning.
- Aptitude for strategic thinking and building relationships with staff at all levels in the business units.

**European Bank**

- Thorough understanding of the UK/International equities industry.
- Comprehensive understanding of principles and practices of trading and settlement.
- Proven experience of user and systems testing in a structured environment.
- Analyse requirements and define appropriate system.
- Design and implement rigorous user and system acceptance testing strategies.

Good degree essential; professional qualification desirable but not a prerequisite. At least 4 years in financial analysis gained in either another bank or software house specialising in banking products. Intellectual capacity to operate successfully and work independently with a recognition of the value of teamwork. Understanding of the relevant business areas but also strong IT and analytical skills. Excellent interpersonal and communication skills producing clear and concise plans presented to senior management.

*For a confidential discussion please contact Edward Hunter Blair on: Tel: 0171-236 2400, Fax: 0171-236 0316, or apply in writing to Sheffield-Haworth Limited, Prince Rupert House, 64 Queen Street, London EC4R 1AD.*

**SHEFFIELD-HAWORTH**
Consultants in Search and Selection

FT IT Recruitment appears each Wednesday in the UK edition, and each Friday in the international edition

For more information on how to reach the top IT professionals in business call:
Emma Lloyd +44 171 873 3779
Clare Bellwood +44 171 873 3351

## JOIN A WORLD LEADER COMMITTED TO MIS

**Central London** — **£ Excellent packages**

Our client is a global market leader in the provision of sales management and medical information. They have achieved this status in a world where the integrity of the decision support data they provide can be the difference between success and failure.

As you would expect MIS is critical to the company's success. There are a number of new project initiatives being undertaken to ensure that the business and its customers continue to receive the most effective systems solutions. The most important factor to the success of these initiatives is people.

We have outlined below a brief summary of the opportunities available, more information can be obtained by calling the numbers detailed below:-

**Technical Co-ordinator Sales & Marketing Systems (SAMS) Reference GH001**

The SAMS programme is a regional initiative, involving the implementation of a sales, marketing and client service solution. This programme will take about two years to roll-out to a 'core' of predominately European sites, but will continue on an international basis.

*Outline of responsibilities*

- Co-ordinating on-going enhancements to the SAMS solution
- Designing the required functionality in an SQL Windows environment
- Providing technical support for the SAMS solution in the local offices

*The ideal candidate will possess the following skills, attributes and experience:-*

- RDBMS design, operation and utilities
- Windows/VB/OO programming
- SQL programming
- Exposure to Networking and comms
- Highly developed interpersonal skills
- Strong commercial awareness
- A second European language would be an advantage

**Decision Support Systems Manager Reference GH002**

*Reporting to the MIS Director the purpose of this role is to manage the on-going development and implementation of the Corporate Decision Support systems and data collection systems. The systems are used by Operational and Senior Financial Management to consolidate and analyse financial information.*

*Outline of responsibilities*

- Planning review of overall strategy for Corporate Decision Support and Data Collection Systems
- Ensuring a high degree of 'Customer Service' is provided to all users
- On-going development of system to fulfil Corporate reporting requirements
- Documentation of consolidation and collection systems processes
- To play a part in the development of Corporate management reporting

*The ideal candidate will possess the following skills, attributes and experience:-*

- An in-depth knowledge of Hyperion Enterprise Consolidation systems covering design, building and maintenance
- Ability to plan and maintain work schedules to meet tight deadlines, and be truly self motivated
- Highly developed interpersonal and written communications skills

**Systems Administrator – Decision Support Systems Reference GH003**

Reporting to the Decision Support Manager you will be responsible for the administration, maintenance and development of the Corporate financial consolidation and collection systems which provide financial information to the company's Senior Management.

*Outline of responsibilities*

- To maintain the structure and process of the consolidation systems
- Provide support and training to Corporate and local personnel
- To take a proactive role in the design and development of local and corporate reporting packages

*The ideal candidate will possess the following skills, attributes and experience:-*

- Financial Systems experience
- A good understanding of Database concepts
- Consolidations systems experience preferably Hyperion or Micro Control
- MS Office experience, in particular Excel and Access
- Excellent interpersonal skills

All candidates require a high degree of motivation. The roles will involve European travel and therefore candidates need to be flexible with the ability to communicate on a cross cultural basis.

In return our client will provide a stimulating, challenging and exciting opportunity where you will be rewarded for achievement and provided with the training needed to ensure you fulfil your maximum potential.

*If you would like to apply for one of the positions above or require any further information please contact David V. Holloway at DRAX DEARMAN ASSOCIATES on 0171 419 0229 (Office) or 0171 286 2868 (Home) alternatively fax, E-mail, or post your CV (quoting the corresponding reference number) to him at:*

DRAX DEARMAN ASSOCIATES
Phone: 0171 419 0229 (Direct Line) 0171 209 1000 (Switchboard) Fax: 0171 209 8001
E-mail: david@dearman.demon.co.uk
Charlotte House, 14 Windmill Street, London W1P 2DY

DRAX · DEARMAN · ASSOCIATES

# IT City Appointments

## GLOBAL IT STRATEGY FOR A PREMIER INVESTMENT BANK

**New York & London based**

Our client is one of the most prestigious names in international investment banking. Their worldwide business relies on the global flow of information made available on a fully integrated basis. If data is their most precious commodity, IT fulfils a key role especially when leveraging the capabilities of OO methods and tools. These will be instrumental in turning an imaginative new IT strategy into a global systems resource of exceptional power and flexibility.

We are looking for Project Managers and Data Specialists with intellect, who can deliver and influence the process of change working closely with the business in every area of worldwide operations. Each of these appointments will, at least initially, be based in New York, and may well entail quite extensive intercontinental travel.

**PROJECT MANAGERS**

You will be a graduate with a demonstrable record, and all the credentials of a true 'hybrid' professional. Your expertise will embrace the application of technology, the dynamics of multinational business and the management of full project life-cycles through to successful implementation using leading-edge tools and techniques.

You will have the ability to build applications aligned to the blueprint, scope projects and guide colleagues through the change process, retaining both a macro and a micro view. Experience in investment banking is beneficial, but excellent interpersonal and communication skills and familiarity with the demands of an exacting and professional user base are essential.

**DATA SPECIALIST TEAM**

There are four key positions requiring individuals with excellent interpersonal skills and drive. These will focus on managing the production, packaging, design and delivery of quality data to global users.

- The DATA PRODUCTION MANAGER will oversee the day-to-day delivery and operation of the database production services. The challenge is to develop processes and procedures that ensure the effective operation of the data centre and also the consistent quality of information. This calls for a strong computer science background, proven skills as a technical troubleshooter and a flair for leading teams of developers, information analysts and operations staff.
- The DATA ARCHITECTURE SPECIALIST will design a data blueprint – effectively packaging financial information for both users and application developers. Information delivery is critical. That explains why we are looking for a strong computer science background, extensive database design and implementation experience.
- The BUSINESS INFORMATION MANAGER will focus on establishing the dynamic information needs of the business and developing highly creative data solutions. This calls for an understanding of investment banking and the field of financial information – historical and real time. We will also look for proven skills in sourcing information from third party providers, promoting vendor relationships and developing new products. An intuitive ability to query database information and create working prototypes is also essential.
- The IMPLEMENTATION MANAGER will concentrate on the packaging, delivery and implementation of information services. Programming new utilities, applications and data structures – using a wide range of development tools – is all part of the brief. People with a strong computer science background matched by an equally good grasp of OO and database design techniques will have a head start.

You are looking at an opportunity to be a driver of enterprise-wide change in an organisation that belongs to the elite of global financial players. You must be comfortable in a non-hierarchical culture where teamwork takes precedence over titles and excellence is regarded as a standard.

Intellectual and professional satisfaction will be matched by material rewards, with first class packages including performance related bonus and relocation assistance, where necessary.

For more information and an immediate confidential discussion on these exciting opportunities, please call Nick Reid or Karen Lawrance on 0171-253 7172, or on 0181-488 9094 evenings and weekends. Alternatively, send a brief CV, quoting ref: 820, to them at JM Management Services Limited, Chandos House, 12-14 Berry Street, London EC1V 0AQ. Fax: 0171-253 0420. E-mail: jmms@dircon.co.uk

Interviews will take place in both London and New York.

JM MANAGEMENT SERVICES


For Banking, Finance & General Appointments please turn to pages 17-19

or contact:
Robert Hunt +44 171 873 4153
Toby Finden-Crofts +44 171 873 3456
Andrew Skarzynski +44 171 873 4054

Recruitment **Net.Works** The FT IT Recruitment section is also available all week on www.FT.com

# Financial Times Annual Report Service

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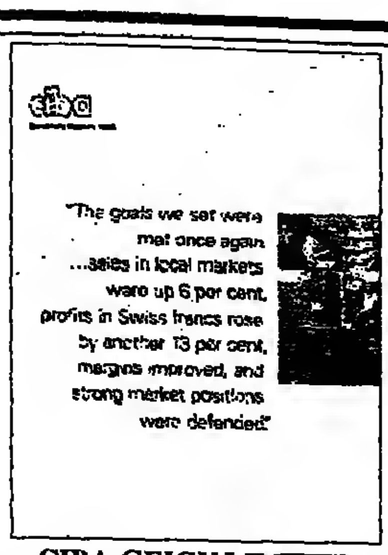


## CIBA-GEIGY LIMITED

In 1995 Ciba met the ambitious goals it set for itself for the year: *improving financial results* yet again, focusing its strategic orientation even more sharply, and continuing to improve efficiency. On a like-with-like comparison, sales in local markets were up by 6 per cent, profits in Swiss francs rose by another 13 per cent, margins improved, and *strong market positions* were defended. Setbacks on the currency front and slowing down of business conditions in some sectors towards year's end were made up for by excellent sales performance, streamlined operating procedures, unremitting efforts to restructure the organisation, and currency hedging operations, despite the slowing down of business conditions in some sectors.

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## CS HOLDING

CS Holding is one of the leading global financial services groups operating from more than 600 offices worldwide and offering a full range of financial products and services. It focuses internationally on commercial and investment banking, derivatives, private banking and asset management. In Switzerland it has a strong position as a full-service bank and also offers life insurance products. CS Holding's Group companies operate independently within the overall Group strategy. The Group's total assets are Sfr 412.7 billion.

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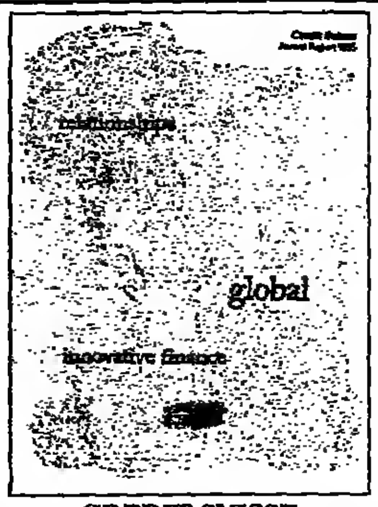


## CREDIT SUISSE

*Credit Suisse*, the oldest of the three big Swiss banks, reported annual profit of Sfr 1,234 million for 1995, with total assets of Sfr 245 billion. *In Switzerland*, Credit Suisse is one of the leading full-service banks with a range of services geared to the needs of all our customer segments. In partnership with Swiss Volksbank it has one of the most extensive branch networks in the country. Outside Switzerland, the bank has offices worldwide and is primarily involved in business with major corporate and private customers and correspondent banks. Credit Suisse is a subsidiary of CS Holding, one of the world's leading financial services groups.

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## Electrowatt Ltd

Electrowatt Ltd is a Swiss holding company of a group of int'l companies active in 6 divisions: electric utilities, electric power operations - engineering and contracting - security systems, building control, electronics. These companies have established significant or leading positions in their markets in Europe, North America and the Far East.

1994/95 consolidated sales were 1% higher at CHF 4.982 bn. Cash flow increased to CHF 764 million. Net income from operations rose by 9% to CHF 210 million. Return on equity amounts to 10.5%.

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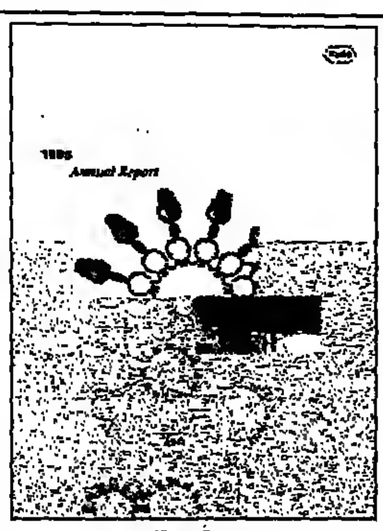


## Roche

Roche is one of the leading international pharmaceutical corporations and is celebrating its first 100 years. With a staff of over 50,000 Roche discovers, develops, manufactures and markets high quality products and services in the field of healthcare. The activities of the group's four divisions - pharmaceuticals, vitamins and fine chemicals, diagnostics, and fragrances and flavours - focus on the prevention, diagnosis and treatment of disease and on the promotion of general well-being. Roche's record of innovation derives primarily from its above-average investment in research and development. These activities focus on the development of efficient and reliable diagnostic tests and new treatments directed against the causes of disease. With determined effort in the important field of biotechnology, Roche has established itself as a pioneering competitor in the health care market. In 1995, the Roche Group posted consolidated sales of Sfr 14.7 billion. Excluding sales by Roche Biomedical Laboratories (RBL), which has not been consolidated since the May 1995 merger that created Laboratory Corporation of America (LabCorp), sales rose by 10% in local currencies and 2% in Swiss francs. Consolidated net income rose 18% to Sfr 3,372 million. Group research and development expenditure came to Sfr 2,290 million or 16% of group sales.

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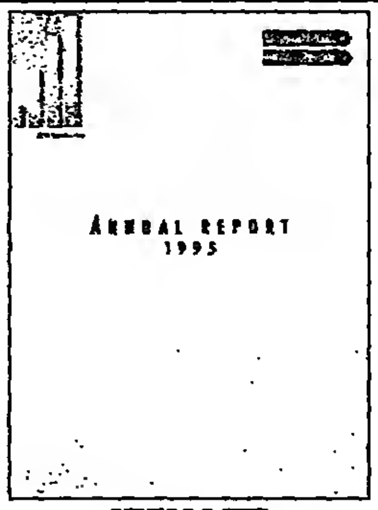
## KERAMIK HOLDING AG LAUFEN

Keramik Holding AG Laufen is a Swiss holding company of a group of international *companies in the field of ceramic products. This product range extends from* the manufacturing and distributing of wall and floor tiles, sanitaryware, bricks and roof tiles to tableware. Operating companies are active in Europe, North and South America and the Far East. Consolidated group sales increased in 1995 by 4.8% to CHF 898 million, achieving a group profit in 1995 of CHF 52 million. Keramik Holding AG intends to merge its sanitaryware activities with the N.V. Koninklijke Sphinx Gustavsberg from the Netherlands on a 50-50 equity base, starting on January 1, 1997. This group then will become the world's leading companies in sanitaryware and bathroom products markets with a turnover of approximately CHF 1.0 billion.

119




## SWISS LIFE

The Swiss Life Insurance and Pension Co. is Switzerland's largest life insurer and one of Europe's leading mutual life companies. The Group's activities include individual and group insurance, banking, asset management, finance, and consulting. Outside Switzerland, Swiss Life has branches or subsidiaries in Belgium, France, Germany, Hungary, Italy, Luxembourg, Spain, The Netherlands, the United Kingdom and the USA, and is represented through the Swiss Life Network in over 40 countries. In 1995, the Group's premium income grew by 5.7% over 1994 to CHF 10.608 billion (USD 9.145 billion) and business in force totalled CHF 380.975 billion (USD 328.427 billion). Net investment income rose by 16.7% to CHF 3.854 billion (USD 3.322 billion), while total assets amounted to CHF 73.615 billion (USD 63.461 billion). The company plans to demutualize in 1997.

120

## RIETER

Rieter is a Swiss-based group with global presence and 2008 million CHF sales in 1995. Its systems and services for the textile, automotive and plastics industries are acknowledged as leaders in their field. The textile machinery division develops and produces machinery and integrated systems for converting fibers and plastics into yarns and for manufacturing man-made fibers. The automotive division develops and manufactures systems, noise control and thermal insulation products and interior trim parts from fibers and plastics for the automotive industry.

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## SULZER

Sulzer is a market-orientated, internationally leading Technology Corporation founded in Winterthur, Switzerland, employing approximately 27,000 co-workers world-wide. Sulzer is active in the following sustainable markets: Weaving Machinery, Plant and Building Services, Medical Technology, Petroleum Industry, selected markets for Mechanical Engineering and Plant Installation. The Sulzer product divisions measure themselves by four criteria: recognized by their customers as knowledgeable, leading and future-orientated partners, technically excellent, profitable, growing with respect to their markets.

In 1995 the Sulzer Corporation recorded net income of SFr. 92 million on sales of SFr. 5.74 billion.

122


## UNION BANK OF SWITZERLAND (UBS)

UBS is the largest bank in Switzerland and one of the world's leading full-service banks. With an equity base of SFr. 23 billion it is one of the best capitalized and one of the few remaining AAA-banks world-wide. UBS is well diversified in terms of financial products and services as well as by geographic business activities. The bank follows a long-term strategy to grow its earning power and to continuously increase its shareholder value. The main expansion plans are focused on Europe, North America and East Asia.

At the end of 1995, UBS showed a balance sheet total of SFR.387 billion (+12.3%) and a group profit of SFr 1.7 billion (+4%).

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## UNION BANCAIRE PRIVÉE, GENÈVE

Union Bancaire Privée is one of Switzerland's largest privately owned banks specialised in asset management. At the end of 1995, the Group's equity was CHF 1.2 billion and total balance sheet amounted to 12.6 billion. These figures place our Bank amongst the major Swiss institutions dedicated to asset management, an activity in which Swiss traditional banking values of security, quality, discretion and competence are enhanced. Our asset management is personalised and tailored to best fulfil our private clients wishes. In addition to our Swiss network, we are present in the major international financial centres.

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## WINTERTHUR INSURANCE

*Winterthur - A Story of continued success*

Number 4 in European direct business.

Highest ratings for financial strength.

**Key figures in 1995:**

- *15.1% increase in profits* ● CHF 22.3 bn gross premiums ● CHF 72 bn investments

Winterthur Insurance

40 General Guisan-Strasse, CH-8401 Winterthur, Switzerland

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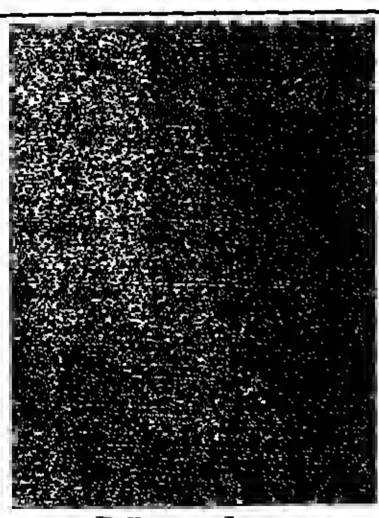
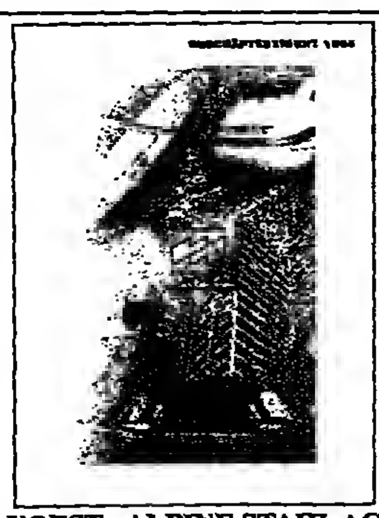


## Zellweger Luwa

The *Zellweger Luwa Group has distinguished itself as a clearly aligned*, effective and lean corporate group. Having returned to profitability in 1994, earnings performance improved again significantly in *1995. An important focus of activity was the consolidation of the group's position* in markets with particularly high growth potential, especially water analysis and clean-room technology. The *Zellweger Luwa Group* continued to strengthen its position mainly *in the sales* territories of Latin America and the Near and Far East.

After currency adjustments, the 1995 consolidated sales and order figures showed a slight increase *compared with the previous year*. In contrast, earnings shaped up very propitiously; consolidated net operating income doubled, while net income for the year almost tripled. This performance *clearly reflects the efficiency improvements accomplished during the past 2 years.*

126



## VOEST - ALPINE STAHL AG

**OUR COURSE: LEADERSHIP MADE IN AUSTRIA**

The VOEST-ALPINE STAHL Group, Austria's largest steel producer, specialises in hot and cold rolled flat products, *including high-quality surface coated sheet and strip, forge* and foundry products and top value long products including ultra-long, head-hardened rails in lengths up to 120m and ready to install oil and gas field pipes.

During the 1995 business year, the company, which has been stock market quoted since October 1995, attained a consolidated turnover of ATS 33.8 bn, net profits of around ATS 3.1 bn and a profit from ordinary activities of almost ATS 3.3 bn. *This was achieved with a staff of some* 15,000 and crude steel production of around 4.5m tonnes.

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## FORTIS

Fortis is an international financial group. It is active in the field of insurance, banking and investments in Western Europe, the United States and Australia through more than 100 Fortis companies. Fortis has over 30,000 employees. In 1995 its total income amounted to ECU 17,546 million. The balance sheet total at year-end 1995 was ECU 125 billion.

*It is possible to invest in Fortis through the shares and depositary receipts for shares in its two parent* companies, Fortis AG and Fortis AMEV, each of which owns 50% of Fortis.

Fortis AG is listed on the exchanges of Brussels, Antwerp, London and Luxembourg. Fortis AMEV is listed on the exchanges of Amsterdam, London and Luxembourg and has a sponsored ADR program in the United States.

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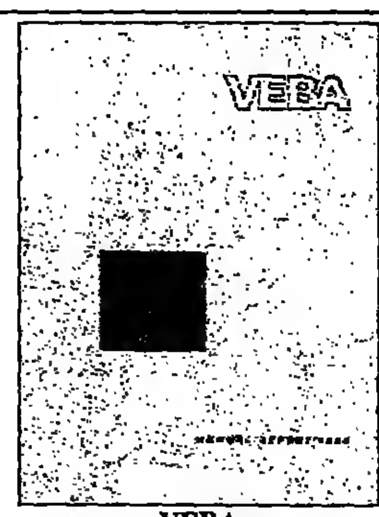


## VEBA

**Enhancing Value by Shaping Change**

VEBA, Germany's 4th largest company, is active in the fields of Electricity, Chemicals, Oil, Trading/Transportation/Services and Telecommunications. Our decentralized management structure is designed to allow for fast and flexible response to market opportunities as they arise, and *our 1995 results underscore this approach:* approx. 125,000 employees worldwide achieved record DVFA/SG earnings of DM 2.1 billion (1994: DM 1.5 billion); earnings per share rose from DM 3.13 to DM 4.33, and the dividend was increased from DM 1.50 to DM 1.70. Our strategic goal remains anticipating change early on and actively shaping it. In order to develop new potential for VEBA as well as create further value for our shareholders.

## The Financial Times Annual Report Service is appearing on 25, 26, 27 & 28 June 1996

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- 124. ☐ Winterthur Insurance
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## INTERNATIONAL CAPITAL MARKETS

# Japan prices advance as Bundesbank disappoints

By Richard Lapper in London and Lisa Bransten in New York

Speculation about interest rate moves in Germany and Japan provided the main focus for traders in government bond markets yesterday, with levels of activity still subdued before next week's meeting of the FOMC. Japanese prices advanced as concern about an imminent increase in rates faded after publication of lower than expected industrial production figures, while the Bundesbank's failure to deliver lower repo rates disappointed some traders and prompted modest selling of German paper.

■ Investors reacted positively to news that Japanese industrial production had risen only 2 per cent in May (on a month-by-month basis) rather than the widely expected 3 per cent. Earlier this month the May Tankan survey of business confidence and first-quarter GDP figures had shown higher than expected levels of economic activity and signs of further strengthening would have increased the chance of a rise in interest rates. Some analysts suggested that bad news yesterday could have triggered a rate rise as early as next week, when branch meetings of the Bank of Japan are scheduled.

Yesterday's numbers, published after the close of the Tokyo market, led to buying of Japanese paper in London trading with yields on the JGB No 182, the benchmark 10-year issue, falling 3 basis points to 3.24 per cent by the London close. By early evening on Liffe, the September JGB future was trading at 119.40, up 0.60 on the Tokyo close, while the December euroyen contract was at 98.85, up 0.10.

Mr Nigel Richardson, international bond strategist with Yamaichi International, described these movements as a "fairly significant reaction based on relief". In line with the market consensus he believes BoJ is unlikely to move on interest rates before publication of second quarter GDP figures and the September Tankan survey.

### GOVERNMENT BONDS

■ Mr Hans Tietmeyer, the president of the Bundesbank, depressed sentiment with comments at the press conference held to explain the repo rate decision. Mr Tietmeyer said further reductions were blocked by double-digit growth in money supply. Later, Mr Otmar Issing, the bank's chief economist, said: "Monetary policy has done what it could do. The solution to German economic problems is not in the hands of the Bundesbank."

The market took the comments badly, with short-dated paper particularly badly hit. Yields on benchmark two-year paper rose 9 basis points with bunds also dragged lower. Benchmark 10-year bonds closed at 6.61 per cent, up 5 basis points. At Liffe the September bond future settled a third of a point down at 95.06. Liffe's euromark contracts also fell sharply with the March 1997 contract down 0.14 at one stage, before settling down 0.08 at 96.00.

Mr Sean O'Hanrahan, a senior broker with Credit Lyonnais Rouse at Liffe, said there had been "a slim chance of a rate cut" and that the market had been "overbought".

Mr Kirit Shah, chief market strategist at Sanwa International, said the statements "set tha stage for rate hikes down the road".

Mr Julian Jessop, chief European economist at Nikko Europe, said: "The market will be very vulnerable to talk of economic recovery until they are sure how weak that recovery is going to be. I think the market can still rally as long as the growth is weak."

Although most analysts now dismiss the possibility of further cuts in the discount rate – currently 2.5 per cent – Mr Jessop is an exception, predicting a further 50 basis point reduction, as evidence of the weakness of economic recovery and low inflationary pressures materialises later this year.

■ Other European bonds also reflected the weakness of the German market. Yield on the benchmark 10-year gilt rose 3 basis points to breach the 8 per cent level, and the long gilt future eased more than a third of a point to settle at 105$\frac{21}{32}$.

Italian bonds also gave up ground, with the 10-year yield spread over bunds widening by 3 basis points to 290.

■ US Treasury prices edged lower in early trading yesterday as investors awaited next week's meeting of the Federal Reserve's Open Market Committee and data on June unemployment, due out next Friday.

Near midday, the benchmark 30-year Treasury was off $\frac{1}{32}$ at 86$\frac{31}{32}$ to yield 7.048 per cent, while at the short end of the maturity spectrum, the two-year note was unchanged at 99$\frac{23}{32}$, yielding 6.284 per cent. The September 30-year bond future dipped $\frac{1}{32}$ to 107% in early trading.

There was little reaction in the market to a decline in the number of first-time claims filed for unemployment benefits. The labour department said initial claims fell 2,000 to 355,000 last week, compared with economists' estimates of a 1,000 drop.

# Vienna launches electronic trading

By Eric Frey in Vienna

The Vienna stock exchange, one of the smallest in western Europe, will today launch an all-electronic trading system designed to make the market more liquid and increase its attraction for international investors.

The system, called EQOS, is modelled on the computerised exchanges in the Nordic countries, according to Mr Ulrich Kamp, secretary-general of the Vienna stock exchange.

However, it allows both order-driven trading and trading through market makers. Tha market makers, which include all the leading banks and several free brokers, are obliged to offer continuous quotes for 21 blue-chip stocks and should provide liquidity even in very thin trading. These 21 stocks make up 90 per cent of daily turnover, which is worth an average Sch1.2bn a day.

Once the new system is fully in place, after the summer, the trading hall in the imposing bourse, which is usually quiet even now, will be empty.

The Vienna stock exchange is small, even for a country of 8m. Its market capitalisation of Sch350bn is slightly bigger than Dublin's but smaller than Luxembourg's. A handful of companies have more than half of the equity in free float. Many companies shy away from public stock offerings, preferring to rely on long-term debt financing from banks.

The electronic trading system is part of a larger plan to modernise the exchange and change its clubby atmosphere. Mr Gerhard Randa, chairman of Bank Austria and president of the exchange, is pushing for stricter laws against insider trading and wants to establish a supervisory body, modelled on the Securities and Exchange Commission in the US.

# National Power welcomed

By Conner Middelmann

The eurobond market had an active day yesterday, seeing a variety of new issues in a wide range of currencies.

A $350m offering of five-year bonds for National Power, the UK electricity utility, got a warm welcome in the market. Yielding 39 basis points at the re-offer price, the bonds were deemed generously priced and met with strong demand from institutional investors in the UK and continental Europe.

"This issue fills a hole in the dollar market," said a syndicate official at UBS, joint book-runners with J.P. Morgan. "It gives investors some spread to play with, unlike the vast majority of recent dollar deals, which were very tight to Treasuries." The bonds were bid at a spread of 38 basis points over Treasuries in late trading, he said.

In the emerging markets, another power utility, Brazil's Eletrobras, issued dollar bonds: $250m of eight-year bonds yielding 338 basis points over Treasuries to their five-year put option.

It is only the second five-year deal from a Brazilian issuer, after a $300m transaction for the government-owned mining conglomerate CVRD earlier in the year.

### INTERNATIONAL BONDS

A syndicate official at ABN Amro Hoare Govett, joint book-runners with Salomon Brothers, reported good demand from European retail investors as well as specialist and mainstream funds.

DePfa, Germany's largest public-sector lender, appeared in two currencies, with a FFr1bn increase of a FFr2bn five-year deal launched in February and a £150m five-year bond, both priced at a spread of 20 basis points over the respective government benchmark bonds.

The sterling issue was aimed largely at European retail investors, which have recently shown a healthy interest in the currency, as well as soma Asian accounts, a syndicata manager at lead manager Nikko said.

Dealers at other houses felt the pricing was too tight, saying they would have thought a spread in the mid-20s more suitable.

China's $700m five-year global bond was priced at 80 basis points over Treasuries, the bottom of the indicated pricing range.

Strong demand caused the spread to tighten to as little as 75 basis points yesterday, although it ended at about 77 basis points, an official at CS First Boston, joint leads with Morgan Stanley, said. He said between 45 and 50 per cent of the deal was placed in Europe, 30 to 35 per cent in Asia and the rest in the US.

Meanwhile, European asset securitisation continues to develop in leaps and bounds, with Fortis, the Dutch-Belgian financial group, planning to launch the first guilder-denominated asset-backed bond.

The Fl 500m 10-year fixed-rate issue is expected to be launched in the week beginning July 8, with Union Bank of Switzerland acting as lead manager.

The bonds will be backed by the residential mortgage portfolio of Fortis savings bank unit VSB Bank. The mortgages are guaranteed by Dutch municipal authorities, or under the national mortgage guarantee scheme that has replaced municipal guarantees.

### New international bond issues

| Borrower | Amount m. | Coupon % | Price | Maturity | Fees % | Spread bp | Book-runner |
|---|---|---|---|---|---|---|---|
| ■ US DOLLARS | | | | | | | |
| SLM SLT 1996-3(a1)‡ | 901 | (a2) | 100.00 | Oct 2004 | 2.25 | - | Goldman Sachs & Co |
| SLM SLT 1996-3(a3)‡ | 553 | (a4) | 100.00 | Oct 2009 | 2.70 | - | Goldman Sachs & Co |
| National Power | 350 | 7.125 | 99.74R | Jul 2001 | 0.325R | +39(6¾%-01) | JP Morgan Securities/UBS |
| Eletrobras(b,l) | 250 | 10.00# | 99.248R | Jul 2004 | 0.375R | +338(6¾%-01) | ABN Amro/Salomon Brothers |
| Commerzbank‡ | 200 | (c) | 100.00 | Jul 2006 | 0.40 | - | Yamaichi Intl(Europe) |
| ■ STERLING | | | | | | | |
| DePfa Finance(s) | 150 | 7.75 | 99.97R | Dec 2001 | 0.25R | +20(7%-01) | Nikko Europe |
| ■ FRENCH FRANCS | | | | | | | |
| DePfa Finance(s) | 1bn | 5.50 | 98.613 | Mar 2001 | undisc | +20(5½%-01) | CCF |
| ■ LUXEMBOURG FRANCS | | | | | | | |
| International Finance Corp(l) | 2bn | 6.375 | 102.25 | Dec 2004 | 1.875 | - | BIL |
| Great Belt(s) | 2bn | 5.375 | 101.884 | Dec 2000 | 1.75 | - | ABN Amro Hoare Govett |
| ■ ITALIAN LIRE | | | | | | | |
| Crédit Local de France(d) | 150bn | 9.00 | 101.40R | Jun 2001 | 0.30R | - | Credito/JP Morgan Secs |
| ■ DANISH KRONER | | | | | | | |
| Rabobank Nederland | 600 | zero | 67.05 | Dec 2002 | 1.375 | - | Bank Brussels Lambert |
| ■ NEW ZEALAND DOLLARS | | | | | | | |
| SocGen Australia | 100 | 9.50 | 100.975 | Jul 1998 | 1.25 | - | Hambros Bank |

Final terms, non-callable unless stated. Yield spread (over govt bond) at launch supplied by lead manager. ‡ Floating-rate note. #Semi-annual coupon. R: fixed re-offer price; fees shown at re-offer level. a) SLM Student Loan Trust. a1) Av life 2.65 yrs. a2) 3-mth T-bills +49bp. a3) Av life 7.15 yrs. a4) 3-mth T-bills +68bp. a5) B certs: $52¾m, 3-mth T-bills +95bp, av life 8.8 yrs, par. b) Puttable on 6/7/01 at 99¼%. c) 3-mth Libor +25bp. d) Fungible with L400bn. Plus 68 days accrued. l) Long 1st coupon. s) Short 1st coupon.

# Monep gets approval to market options in US

By Conner Middelmann

Monep, the traded options market of the Paris Stock Exchange, has gained approval from the US Securities and Exchange Commission to market its contracts in the US.

Under the SEC's "no-action letter", the exchange will be allowed to sell its options to US professional investors – so-called Qualified Institutional Buyers – without the instruments being registered by the SEC under the 1933 Securities Act.

Monep, set up in 1987, lists 50 options on French equities as well as long- and short-dated options on the CAC-40 leading stock index. It uses an electronic trading system – called Stamp – for equity options trading, and both open outcry and Stamp for index options.

The SEC agreement also confers some benefits upon Monep members. Firms registered with the SEC as broker-dealers may solicit business from US qualified institutional buyers and qualified broker-dealers, while those not SEC registered may approach qualified broker-dealers but may only accept unsolicited business from qualified institutional buyers.

Monep is the third exchange to receive such no-action relief from the SEC; similar deals cover London's Liffe equity options and index options, and the Hong Kong Futures Exchange's Hang Seng Index options.

## WORLD BOND PRICES

### BENCHMARK GOVERNMENT BONDS

| | | Coupon | Red Date | Price | Day's change | Yield | Week ago | Month ago |
|---|---|---|---|---|---|---|---|---|
| Australia | | 10.000 | 02/06 | 107.1260 | +0.137 | 8.91 | 8.95 | 8.73 |
| Austria | | 6.250 | 05/06 | 96.9500 | -0.120 | 6.58 | 6.63 | 6.43 |
| Belgium | | 7.000 | 05/06 | 101.1400 | -0.250 | 6.83 | 6.89 | 6.68 |
| Canada * | | 7.000 | 12/06 | 94.3300 | -0.210 | 7.80 | 7.95 | 7.86 |
| Denmark | | 8.000 | 03/06 | 103.4800 | -0.260 | 7.47 | 7.58 | 7.35 |
| France | BTAN | 5.750 | 03/01 | 100.2000 | -0.160 | 5.70 | 5.77 | 5.55 |
| | OAT | 7.250 | 04/06 | 104.4800 | -0.270 | 6.61 | 6.63 | 6.42 |
| Germany Bund | | 6.250 | 04/06 | 97.4400 | -0.340 | 6.61 | 6.66 | 6.43 |
| Ireland | | 8.000 | 08/06 | 101.9500 | -0.100 | 7.71 | 7.84 | 7.58 |
| Italy | | 9.500 | 02/06 | 101.4600 | -0.140 | 9.26† | 9.55 | 9.34 |
| Japan | No 140 | 6.600 | 06/01 | 119.2240 | -0.250 | 2.29 | 2.36 | 2.55 |
| | No 182 | 3.000 | 09/05 | 98.2571 | +0.174 | 3.24 | 3.28 | 3.32 |
| Netherlands | | 6.000 | 01/06 | 96.4000 | -0.220 | 6.51 | 6.59 | 6.30 |
| Portugal | | 11.875 | 02/05 | 117.9000 | -0.100 | 8.61 | 8.86 | 8.92 |
| Spain | | 8.800 | 04/06 | 99.1400 | -0.230 | 8.91 | 9.06 | 9.14 |
| Sweden | | 6.000 | 02/05 | 86.4659 | -0.330 | 8.25 | 8.37 | 8.33 |
| UK Gilts | | 8.000 | 12/00 | 102-20 | -6/32 | 7.29 | 7.35 | 7.35 |
| | | 7.500 | 12/06 | 96-14 | -5/32 | 8.01 | 8.10 | 7.98 |
| | | 9.000 | 10/08 | 106-24 | -4/32 | 8.12 | 8.22 | 8.10 |
| US Treasury * | | 6.875 | 05/06 | 99-24 | -5/32 | 6.91 | 6.98 | 6.82 |
| | | 6.000 | 02/26 | 86-31 | -8/32 | 7.05 | 7.13 | 6.92 |
| ECU (French Govt) | | 7.500 | 04/05 | 103.2300 | -0.240 | 6.99 | 7.09 | 6.88 |

London closing, *New York mid-day. Yields: Local market standard. † Gross (including withholding tax at 12.5 per cent payable by nonresidents). Prices: US, UK in 32nds, others in decimal. Source: MMS International

### US INTEREST RATES

[illegible]

### BOND FUTURES AND OPTIONS

**France**

■ NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

[illegible]

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

[illegible]

**Germany**

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

[illegible]

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

| Strike Price | CALLS Aug | Sep | Oct | Dec | PUTS Aug | Sep | Oct | Dec |
|---|---|---|---|---|---|---|---|---|
| 9500 | 0.52 | 0.78 | 0.57 | 0.85 | 0.46 | 0.72 | 1.41 | 1.89 |
| 9550 | 0.29 | 0.53 | 0.40 | 0.66 | 0.73 | 0.97 | 1.74 | 2.00 |
| 9600 | 0.14 | 0.34 | 0.27 | 0.50 | 1.06 | 1.28 | 2.11 | 2.34 |

Est. vol. total, Calls 6215 Puts 12062. Previous day's open int., Calls 128288 Puts 143437

**Italy**

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

[illegible]

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

[illegible]

**Spain**

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

[illegible]

**UK**

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

[illegible]

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

[illegible]

**Ecu**

■ ECU BOND FUTURES (MATIF) ECU100,000

[illegible]

**US**

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

[illegible]

**Japan**

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

[illegible]

* LIFFE futures also traded on APT. All Open Interest figs. are for previous day.

### FT-ACTUARIES FIXED INTEREST INDICES

| Price Indices UK Gilts | Thu Jun 27 | Day's change % | Wed Jun 26 | Accrued interest | xd adj. ytd |
|---|---|---|---|---|---|
| 1 Up to 5 years (22) | 122.27 | -0.03 | 122.31 | 2.87 | 4.28 |
| 2 5-15 years (19) | 146.71 | -0.10 | 145.86 | 2.29 | 5.64 |
| 3 Over 15 years (9) | 166.26 | -0.02 | [illegible] | 3.19 | 6.43 |
| 4 Irredeemables (6) | 181.71 | -0.10 | 181.68 | 2.07 | 6.36 |
| 5 All stocks (56) | 141.50 | -0.10 | 141.63 | 2.72 | 5.13 |
| Index-linked | | | | | |
| 6 Up to 5 years (1) | 197.34 | 0.03 | 197.79 | 1.51 | 4.43 |
| 7 Over 5 years (11) | 186.98 | -0.08 | 186.70 | 1.70 | 1.81 |
| 8 All stocks (12) | 186.72 | -0.05 | 186.82 | 1.70 | 1.86 |

Yields (Low coupon yield, Medium coupon yield, High coupon yield; Inflation 5%, Inflation 10%): [illegible]

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

### FT FIXED INTEREST INDICES

| | Jun 27 | Jun 26 | Jun 25 | Jun 24 | Jun 21 | Yr ago | High* | Low* |
|---|---|---|---|---|---|---|---|---|
| Govt. Secs. (UK) | 92.56 | 92.52 | 92.52 | 92.49 | 92.32 | 91.58 | 96.34 | 91.59 |
| Fixed Interest | 112.00 | 111.85 | 111.90 | 111.91 | 111.49 | 110.69 | 116.23 | 110.74 |

* for 1996. Government Securities high since compilation: 127.4 (09/01/35), low 49.18 (03/01/75). Fixed Interest high since compilation: 133.87 (21/01/94), low 50.53 (03/01/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974.

### GILT EDGED ACTIVITY INDICES

| | Jun 26 | Jun 25 | Jun 24 | Jun 21 | Jun 20 |
|---|---|---|---|---|---|
| Gilt Edged bargains | 90.9 | 97.8 | 86.2 | 80.5 | 75.9 |
| 5-day average | 78.1 | 75.3 | 78.1 | 75.9 | 77.5 |

### FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:10 pm on June 27

U.S. DOLLAR STRAIGHTS; SWISS FRANC STRAIGHTS; YEN STRAIGHTS; OTHER STRAIGHTS; DEUTSCHE MARK STRAIGHTS; FLOATING RATE NOTES; CONVERTIBLE BONDS

[illegible]

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day. FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate (three-month §above mean rate) for US dollars. C.cpn=The current coupon. CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.



## UK GILTS PRICES

Shorts (Lives up to Five Years); Five to Fifteen Years; Over Fifteen Years; Undated; Index-Linked; Other Fixed Interest

[illegible]

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base for indexing (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in February 1987. Conversion factor 3.945. RPI for October 1995: 149.8 and for May 1996: 152.9.

■ "Tap" stock. xd Ex dividend. Closing mid-prices are shown in pounds per £100 nominal of stock. Redemption yields are calculated by HSBC Greenwell from Bank of England closing prices.

# CURRENCIES AND MONEY

MARKETS REPORT

## D-Mark rises after German repo rate kept on hold

By Graham Bowley

Disappointment that the Bundesbank failed to lower the repo rate and hawkish comments from Bundesbank officials on German interest rates caused the D-Mark to strengthen on the foreign exchanges yesterday.

The D-Mark rose against most European currencies, except the Swiss franc. Its rise dragged the dollar lower.

In Europe, the biggest losers against the D-Mark were the Italian lira and the Swedish krona. Growing confusion about the direction of Italian interest rates, following cautious comments by Mr Antonio Fazio, the central bank governor, on Wednesday, added to the downward pressure on the lira.

But the French franc and sterling managed to maintain some independent strength.

The Greek central bank intervened in the markets to support the drachma. The currency weakened over worries that splits in the current governing party following the death of Mr Andreas Papandreou, the former prime minister, might slow progress on budgetary reform.

The dollar closed in London at Y109.295 from Y109.52. Against the D-Mark, it closed at DM1.5218, from DM1.5287.

The pound finished against the D-Mark at DM2.3526 from DM2.3579. Against the dollar it closed at $1.5460, from $1.5425.

Elsewhere, the lira retreated further from the L1,000 level to finish at L1,008 against the D-Mark, from L1,004.

■ Expectations were slight that the Bundesbank would lower its repo rate from 3.3 per cent at yesterday's regular council meeting. But analysts said there was still a "significant minority" who believed it would to cause some D-Mark reaction after the central bank left the short-term money market rate on hold.

However, probably a bigger reason for the D-Mark's strength yesterday was comments by German officials which appeared to suggest that they were content with the current level of the D-Mark and with current interest rates.

Mr Hans Tietmeyer, Bundesbank president, was reported as saying that the German economy was on course for a steady if unspectacular recovery which might not require a further interest rate cut to get started.

"They are making it very ambiguous whether there is room for another repo rate cut or not and the market is taking it very negatively," said Mr Tony Norfield, treasury economist at ABN Amro in London.

Euromark futures contracts fell, with the March 1997 contract down 13 basis points before recovering slightly. German government bonds also lost ground.

"The impression was given to the market that the D-Mark has devalued enough," said Mr Norfield.

But Mr Tietmeyer caused some confusion by also hinting that the D-Mark's strong appreciation in the spring of 1995 was now fully corrected.

Mr Norfield said there was now a division within the Bundesbank. He said some officials wanted to keep exchange rates stable because that would support progress towards European monetary union, while others wanted to see the D-Mark weakening against the dollar to boost exports in order to underpin domestic economic recovery.

■ The Greek drachma weakened due to worries that a run-off between the prime minister and another government minister for control of the governing Socialist party might delay budget cuts and other reforms.

The drachma fell against the Ecu, and short-term money market rates moved higher, requiring the Bank of Greece to intervene.

The lira's woes were exacerbated by more comments by government officals which appeared to reinforce caution about interest rate cuts.

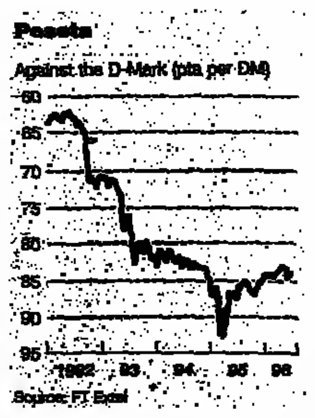
"The market has become less convinced that there will be a discount rate cut," said one analyst.

This was in spite of data which showed unemployment rose in April, appearing to strengthen the case for an easing of monetary policy.

But analysts said the authorities would not cut interest rates before annual consumer price inflation fell below the key 4 per cent level. The next CPI data is due next week.

In Japan, data showing a weaker than expected increase in industrial production eased concern about a rise in interest rates and caused the yen to weaken and euroyen futures to rise.

Pesetas




Source: FT Extel

■ Pound in New York

| Jun 27 | ---Latest--- | -- Prev. close -- |
|---|---|---|
| £ spot | 1.5475 | 1.5405 |
| 1 mth | 1.5471 | 1.5401 |
| 3 mth | 1.5468 | 1.5398 |
| 1 yr | 1.5486 | 1.5418 |

■ OTHER CURRENCIES

| Jun 27 | £ | $ |
|---|---|---|
| Czech Rp | 42.4375 - 42.4877 | 27.4570 - 27.4770 |
| Hungary | 232.134 - 232.316 | 150.190 - 150.240 |
| Iran | 4638.90 - 4638.80 | 3000.00 - 3000.00 |
| Kuwait | 0.4628 - 0.4634 | 0.2994 - 0.2997 |
| Poland | 4.1931 - 4.2027 | 2.7129 - 2.7179 |
| Russia | 7885.65 - 7893.86 | 5102.00 - 5105.00 |
| U.A.E. | 5.6768 - 5.6787 | 3.6729 - 3.6731 |

## POUND SPOT FORWARD AGAINST THE POUND

| Jun 27 | | Closing mid-point | Change on day | Bid/offer spread | Day's Mid high | Day's Mid low | One month Rate | One month %PA | Three months Rate | Three months %PA | One year Rate | One year %PA | Bank of Eng. Index |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Europe** | | | | | | | | | | | | | |
| Austria | (Sch) | 16.5596 | -0.0383 | 486 - 646 | 16.5810 | 16.5071 | 16.5253 | 2.3 | 16.4504 | 2.6 | - | - | 104.8 |
| Belgium | (BFr) | 48.4192 | -0.0894 | 927 - 456 | 48.5320 | 48.2940 | 48.3242 | 2.4 | 48.1342 | 2.4 | 47.3442 | 2.2 | 106.5 |
| Denmark | (DKr) | 9.0663 | -0.0183 | 619 - 706 | 9.0748 | 9.0474 | 9.0526 | 1.8 | 9.0322 | 1.5 | 8.9244 | 1.8 | 107.8 |
| Finland | (FM) | 7.1517 | -0.001 | 462 - 572 | 7.1590 | 7.1340 | 7.1473 | 0.7 | 7.1392 | 0.7 | - | - | 84.1 |
| France | (FFr) | 7.9801 | -0.0171 | 575 - 827 | 7.9870 | 7.9307 | 7.9478 | 1.8 | 7.9251 | 1.6 | 7.8317 | 1.6 | 109.1 |
| Germany | (DM) | 2.3526 | -0.0053 | 515 - 536 | 2.3547 | 2.3454 | 2.3481 | 2.3 | 2.3391 | 2.3 | 2.3003 | 2.2 | 108.2 |
| Greece | (Dr) | 372.590 | -0.464 | 428 - 751 | 373.922 | 371.515 | - | - | - | - | - | - | 67.3 |
| Ireland | (I£) | 0.9716 | -0.0013 | 710 - 722 | 0.9731 | 0.9705 | 0.9711 | 0.6 | 0.9699 | 0.7 | 0.9654 | 0.6 | 99.5 |
| Italy | (L) | 2370.64 | +2.82 | 925 - 202 | 2372.94 | 2358.59 | 2376.19 | -2.8 | 2388.04 | -2.8 | 2418.54 | -2.0 | 76.8 |
| Luxembourg | (LFr) | 48.4192 | -0.0894 | 927 - 456 | 48.5320 | 48.2940 | 48.3242 | 2.4 | 48.1342 | 2.4 | 47.3482 | 2.2 | 106.5 |
| Netherlands | (Fl) | 2.6373 | -0.0061 | 359 - 386 | 2.6420 | 2.6294 | 2.6312 | 2.8 | 2.6193 | 2.7 | 2.5715 | 2.5 | 106.6 |
| Norway | (NKr) | 10.0457 | -0.0262 | 376 - 537 | 10.0823 | 10.0264 | 10.0372 | 1.0 | 10.0202 | 1.0 | 9.9367 | 1.1 | 98.9 |
| Portugal | (Es) | 242.104 | -0.146 | 010 - 197 | 244.545 | 241.572 | 242.529 | -2.1 | 243.434 | -2.2 | - | - | 94.6 |
| Spain | (Pta) | 197.951 | -0.299 | 883 - 019 | 198.383 | 197.436 | 198.211 | -1.5 | 198.726 | -1.6 | 200.126 | -1.1 | 80.5 |
| Sweden | (SKr) | 10.2510 | +0.0534 | 425 - 595 | 10.2803 | 10.1603 | 10.2515 | 0.0 | 10.2514 | 0.0 | 10.2493 | 0.0 | 90.3 |
| Switzerland | (SFr) | 1.9338 | -0.008 | 326 - 350 | 1.9387 | 1.9276 | 1.9288 | 3.1 | 1.919 | 3.3 | 1.8698 | 3.3 | 110.9 |
| UK | (£) | - | - | - | - | - | - | - | - | - | - | - | 85.9 |
| Ecu | - | 1.2419 | -0.0032 | 409 - 422 | 1.2434 | 1.2394 | 1.2403 | 1.6 | 1.2373 | 1.4 | 1.224 | 1.4 | - |
| SDR† | - | 1.06952 | - | - | - | - | - | - | - | - | - | - | - |
| **Americas** | | | | | | | | | | | | | |
| Argentina | (Peso) | 1.5436 | +0.0034 | 433 - 443 | 1.5470 | 1.5402 | - | - | - | - | - | - | - |
| Brazil | (R$) | 1.5511 | +0.0025 | 505 - 516 | 1.5525 | 1.5469 | - | - | - | - | - | - | - |
| Canada | (C$) | 2.1072 | +0.009 | 063 - 081 | 2.1087 | 2.0960 | 2.1065 | 0.4 | 2.1029 | 0.8 | 2.0946 | 0.6 | 84.6 |
| Mexico | (New Peso) | 11.7919 | +0.0572 | 852 - 983 | 11.8028 | 11.7247 | - | - | - | - | - | - | - |
| USA | ($) | 1.5460 | +0.0035 | 456 - 463 | 1.5475 | 1.5400 | 1.5456 | 0.3 | 1.5453 | 0.2 | 1.5474 | -0.1 | 97.1 |
| **Pacific/Middle East/Africa** | | | | | | | | | | | | | |
| Australia | (A$) | 1.9598 | +0.0096 | 587 - 608 | 1.9631 | 1.9488 | 1.9624 | -1.6 | 1.9674 | -1.6 | 1.9927 | -1.7 | 93.4 |
| Hong Kong | (HK$) | 11.9673 | +0.0303 | 642 - 704 | 11.9784 | 11.9221 | 11.9592 | 0.8 | 11.9478 | 0.7 | 11.9278 | 0.3 | - |
| India | (Rs) | 54.4175 | +0.5841 | 960 - 390 | 54.7830 | 54.0140 | - | - | - | - | - | - | - |
| Israel | (Shk) | 4.9477 | -0.0082 | 441 - 513 | 4.9557 | 4.8841 | - | - | - | - | - | - | - |
| Japan | (Y) | 168.965 | +0.03 | 872 - 057 | 169.070 | 168.110 | 168.24 | 5.1 | 166.75 | 5.2 | 160.335 | 5.1 | 133.7 |
| Malaysia | (M$) | 3.8549 | +0.0043 | 532 - 565 | 3.8571 | 3.8421 | - | - | - | - | - | - | - |
| New Zealand | (NZ$) | 2.2676 | +0.0057 | 659 - 683 | 2.2721 | 2.2655 | 2.2726 | -2.6 | 2.282 | -2.5 | 2.3159 | -2.1 | 107.4 |
| Philippines | (Peso) | 40.5194 | +0.129 | 329 - 058 | 40.6064 | 40.4326 | - | - | - | - | - | - | - |
| Saudi Arabia | (SR) | 5.7981 | +0.0128 | 966 - 996 | 5.8037 | 5.7761 | - | - | - | - | - | - | - |
| Singapore | (S$) | 2.1806 | +0.0036 | 793 - 819 | 2.1820 | 2.1729 | - | - | - | - | - | - | - |
| South Africa | (R) | 8.7071 | +0.0196 | 017 - 125 | 8.7127 | 8.6617 | - | - | - | - | - | - | - |
| South Korea | (Won) | 1250.52 | +3.1 | 008 - 096 | 1251.62 | 1245.86 | - | - | - | - | - | - | - |
| Taiwan | (T$) | 42.6296 | -0.0044 | 813 - 779 | 42.6780 | 42.4563 | - | - | - | - | - | - | - |
| Thailand | (Bt) | 39.2269 | +0.0859 | 103 - 435 | 39.2450 | 39.0840 | - | - | - | - | - | - | - |

† Rates for Jun 26. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

## DOLLAR SPOT FORWARD AGAINST THE DOLLAR

| Jun 27 | | Closing mid-point | Change on day | Bid/offer spread | Day's mid high | Day's mid low | One month Rate | One month %PA | Three months Rate | Three months %PA | One year Rate | One year %PA | J.P. Morgan index |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Europe** | | | | | | | | | | | | | |
| Austria | (Sch) | 10.7097 | -0.0488 | 069 - 124 | 10.7580 | 10.6960 | 10.6902 | 2.2 | 10.6482 | 2.3 | 10.4647 | 2.3 | 104.6 |
| Belgium | (BFr) | 31.3200 | -0.128 | 100 - 300 | 31.4920 | 31.2950 | 31.285 | 2.1 | 31.15 | 2.2 | 30.61 | 2.3 | 108.2 |
| Denmark | (DKr) | 5.8645 | -0.025 | 630 - 660 | 5.8913 | 5.8625 | 5.857 | 1.5 | 5.84 | 1.7 | 5.771 | 1.9 | 106.5 |
| Finland | (FM) | 4.6261 | -0.011 | 236 - 286 | 4.6460 | 4.6230 | 4.6198 | 1.7 | 4.6076 | 1.9 | 4.5621 | 1.4 | 83.4 |
| France | (FFr) | 5.1480 | -0.0226 | 465 - 495 | 5.1717 | 5.1429 | 5.1421 | 1.6 | 5.1278 | 1.6 | 5.06 | 1.7 | 108.4 |
| Germany | (DM) | 1.5219 | -0.0069 | 214 - 221 | 1.5294 | 1.5205 | 1.5193 | 2.0 | 1.5135 | 2.2 | 1.4853 | 2.4 | 107.5 |
| Greece | (Dr) | 241.010 | -0.84 | 960 - 060 | 242.460 | 240.750 | 242.685 | -8.3 | 246.035 | -8.3 | 260.01 | -7.6 | 66.8 |
| Ireland | (I£) | 1.5912 | +0.0056 | 905 - 919 | 1.5930 | 1.5830 | 1.5917 | -0.4 | 1.5928 | -0.4 | 1.5841 | 0.4 | - |
| Italy | (L) | 1533.45 | -1.6 | 290 - 400 | 1537.00 | 1530.26 | 1538.2 | -3.7 | 1546.35 | -3.4 | 1569.1 | -2.3 | 76.6 |
| Luxembourg | (LFr) | 31.3200 | -0.129 | 100 - 300 | 31.4920 | 31.2950 | 31.267 | 2.0 | 31.1805 | 2.0 | 30.68 | 2.0 | 108.2 |
| Netherlands | (Fl) | 1.7059 | -0.0078 | 054 - 064 | 1.7150 | 1.7050 | 1.7026 | 2.4 | 1.6954 | 2.5 | 1.6637 | 2.5 | 106.1 |
| Norway | (NKr) | 6.4981 | -0.0316 | 943 - 019 | 6.5427 | 6.4942 | 6.4951 | 0.5 | 6.4896 | 0.5 | 6.4531 | 0.7 | 97.7 |
| Portugal | (Es) | 156.605 | -0.445 | 580 - 630 | 158.610 | 156.550 | 156.92 | -2.4 | 157.51 | -2.3 | 159.655 | -1.6 | 94.7 |
| Spain | (Pta) | 128.045 | -0.46 | 060 - 060 | 128.720 | 128.020 | 128.295 | -2.3 | 128.725 | -2.1 | 130.265 | -1.7 | 80.2 |
| Sweden | (SKr) | 6.6309 | +0.0198 | 269 - 349 | 6.6474 | 6.5917 | 6.6419 | -2.0 | 6.6594 | -1.7 | 6.7014 | -1.1 | 90.3 |
| Switzerland | (SFr) | 1.2509 | -0.0086 | 504 - 614 | 1.2584 | 1.2490 | 1.2473 | 3.4 | 1.2399 | 3.5 | 1.2064 | 3.9 | 109.6 |
| UK | (£) | 1.5460 | +0.0035 | 456 - 463 | 1.5475 | 1.5400 | 1.5456 | 0.3 | 1.5453 | 0.2 | 1.5514 | -0.4 | 85.4 |
| Ecu | - | 1.2452 | +0.006 | 448 - 455 | 1.2458 | 1.2380 | 1.246 | -0.7 | 1.2476 | -0.8 | 1.2565 | -0.9 | - |
| SDR† | - | 0.69404 | - | - | - | - | - | - | - | - | - | - | - |
| **Americas** | | | | | | | | | | | | | |
| Argentina | (Peso) | 0.9996 | - | 995 - 997 | 1.0001 | 0.9995 | - | - | - | - | - | - | - |
| Brazil | (R$) | 1.0033 | -0.0007 | 032 - 034 | 1.0040 | 1.0032 | - | - | - | - | - | - | - |
| Canada | (C$) | 1.3631 | +0.0028 | 628 - 633 | 1.3635 | 1.3601 | 1.3629 | 0.1 | 1.3632 | 0.0 | 1.366 | -0.2 | 84.0 |
| Mexico | (New Peso) | 7.6275 | +0.02 | 250 - 300 | 7.6300 | 7.6230 | 7.789 | -25.4 | 7.974 | -19.2 | 9.7375 | -27.7 | - |
| USA | ($) | - | - | - | - | - | - | - | - | - | - | - | 96.0 |
| **Pacific/Middle East/Africa** | | | | | | | | | | | | | |
| Australia | (A$) | 1.2676 | +0.0034 | 673 - 681 | 1.2686 | 1.2655 | 1.2696 | -1.9 | 1.2731 | -1.7 | 1.2918 | -1.9 | 95.1 |
| Hong Kong | (HK$) | 7.7411 | +0.0024 | 408 - 413 | 7.7420 | 7.7390 | 7.7418 | -0.1 | 7.7436 | -0.1 | 7.7706 | -0.4 | - |
| India | (Rs) | 35.2000 | +0.3 | 000 - 000 | 35.4050 | 35.0000 | 35.35 | -5.1 | 35.655 | -5.2 | 37.125 | -5.5 | - |
| Israel | (Shk) | 3.2004 | -0.0125 | 988 - 020 | 3.2142 | 3.1874 | - | - | - | - | - | - | - |
| Japan | (Y) | 109.295 | -0.225 | 260 - 330 | 109.630 | 109.000 | 108.85 | 4.8 | 107.95 | 4.8 | 104.21 | 4.7 | 134.1 |
| Malaysia | (M$) | 2.4935 | -0.0028 | 930 - 940 | 2.4960 | 2.4924 | 2.4944 | -0.4 | 2.5005 | -1.1 | 2.524 | -1.2 | - |
| New Zealand | (NZ$) | 1.4667 | +0.0004 | 661 - 676 | 1.4711 | 1.4660 | 1.4698 | -2.5 | 1.4756 | -2.4 | 1.5002 | -2.3 | - |
| Philippines | (Peso) | 26.2100 | +0.025 | 800 - 600 | 26.2600 | 26.1800 | - | - | - | - | - | - | - |
| Saudi Arabia | (SR) | 3.7505 | -0.0001 | 504 - 506 | 3.7506 | 3.7504 | 3.751 | -0.1 | 3.7517 | -0.1 | 3.755 | -0.1 | - |
| Singapore | (S$) | 1.4105 | -0.0008 | 100 - 110 | 1.4112 | 1.4100 | 1.407 | 3.0 | 1.401 | 2.7 | 1.3755 | 2.5 | - |
| South Africa | (R) | 4.3385 | +0.003 | 360 - 410 | 4.3420 | 4.3220 | 4.386 | -13.1 | 4.476 | -12.7 | 4.8135 | -10.9 | - |
| South Korea | (Won) | 808.900 | +0.2 | 800 - 000 | 810.200 | 808.500 | - | - | - | - | - | - | - |
| Taiwan | (T$) | 27.5750 | -0.0645 | 500 - 000 | 27.6410 | 27.5490 | 27.58 | -0.2 | 27.585 | -0.1 | - | - | - |
| Thailand | (Bt) | 25.3740 | -0.001 | 690 - 790 | 25.3800 | 25.3620 | 25.4727 | -4.7 | 25.6765 | -4.8 | 26.559 | -4.7 | - |

† SDR rate per $ for Jun 26. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Jun 26: Base average 1990=100.

## WORLD INTEREST RATES

### MONEY RATES

| June 27 | Over night | One month | Three mths | Six mths | One year | Lomb. Inter. | Dis. rate | Repo rate |
|---|---|---|---|---|---|---|---|---|
| Belgium | 3⅛ | 3¼ | 3⅜ | 3$\frac{7}{16}$ | 3$\frac{13}{16}$ | 7.00 | 2.50 | - |
| week ago | 3$\frac{3}{16}$ | 3⅛ | 3$\frac{5}{16}$ | 3$\frac{7}{16}$ | 3⅝ | 7.00 | 2.50 | - |
| France | 3$\frac{13}{16}$ | 3$\frac{13}{16}$ | 3$\frac{15}{16}$ | 4$\frac{1}{16}$ | 4¼ | 3.60 | - | 5.60 |
| week ago | 3$\frac{13}{16}$ | 3$\frac{13}{16}$ | 3$\frac{15}{16}$ | 4⅛ | 4⅜ | 3.60 | - | 5.60 |
| Germany | 3$\frac{5}{16}$ | 3¼ | 3$\frac{5}{16}$ | 3$\frac{11}{32}$ | 3$\frac{9}{16}$ | 4.50 | 2.50 | 3.30 |
| week ago | 3$\frac{5}{16}$ | 3¼ | 3⅜ | 3$\frac{7}{16}$ | 3$\frac{9}{16}$ | 4.50 | 2.50 | 3.30 |
| Ireland | 5⅛ | 5¼ | 5⅜ | 5⅝ | 5¾ | - | - | 6.25 |
| week ago | 5⅛ | 5¼ | 5⅜ | 5⅝ | 5⅝ | - | - | 6.25 |
| Italy | 9$\frac{1}{16}$ | 9 | 8⅝ | 8½ | 8¼ | - | 9.00 | 9.30 |
| week ago | 8$\frac{13}{16}$ | 9 | 8$\frac{9}{16}$ | 8⅝ | 8½ | - | 9.00 | 9.30 |
| Netherlands | 2⅞ | 2$\frac{13}{16}$ | 2$\frac{15}{16}$ | 3$\frac{1}{16}$ | 3¼ | - | 3.00 | 3.30 |
| week ago | 2¾ | 2$\frac{13}{16}$ | 2$\frac{15}{16}$ | 3$\frac{1}{16}$ | 3$\frac{5}{16}$ | - | 3.00 | 3.30 |
| Switzerland | 1⅞ | 2½ | 2⅝ | 2$\frac{11}{16}$ | 2$\frac{13}{16}$ | 5.00 | 1.50 | - |
| week ago | 2½ | 2½ | 2$\frac{9}{16}$ | 2$\frac{11}{16}$ | 2⅞ | 5.00 | 1.50 | - |
| US | 5¼ | 5$\frac{13}{32}$ | 5½ | 5$\frac{11}{16}$ | 6⅛ | - | 5.00 | - |
| week ago | 5⅝ | 5$\frac{13}{32}$ | 5⅝ | 5⅞ | 6¼ | - | 5.00 | - |
| Japan | ½ | ½ | $\frac{11}{32}$ | ⅝ | 1$\frac{1}{16}$ | - | 0.50 | - |
| week ago | ½ | ½ | ⅝ | $\frac{7}{8}$ | 1⅛ | - | 0.50 | - |
| ■ $ LIBOR FT London | | | | | | | | |
| Interbank Fixing | - | 5¼ | 5$\frac{9}{16}$ | 5$\frac{13}{16}$ | 6$\frac{1}{16}$ | - | - | - |
| week ago | - | 5½ | 5⅝ | 5¾ | 6⅛ | - | - | - |
| US Dollar CDs | - | 5.15 | 5.27 | 5.44 | 5.80 | - | - | - |
| week ago | - | 5.13 | 5.23 | 5.44 | 5.60 | - | - | - |
| ECU Linked Ds | - | 4⅛ | 4⅛ | 4⅛ | 4¼ | - | - | - |
| week ago | - | 4⅛ | 4¼ | 4$\frac{5}{16}$ | 4⅜ | - | - | - |
| SDR Linked Ds | - | 3¼ | 3$\frac{5}{16}$ | 3$\frac{7}{16}$ | 3⅝ | - | - | - |
| week ago | - | 3¼ | 3⅜ | 3½ | 3$\frac{9}{16}$ | - | - | - |

$ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

### EURO CURRENCY INTEREST RATES

| Jun 27 | Short term | 7 days notice | One month | Three months | Six months | One year |
|---|---|---|---|---|---|---|
| Belgian Franc | 3⅜ - 3¼ | 3$\frac{7}{16}$ - 3$\frac{5}{16}$ | 3⅜ - 3¼ | 3⅜ - 3¼ | 3½ - 3⅜ | 3$\frac{11}{16}$ - 3$\frac{9}{16}$ |
| Danish Krone | 4 - 3$\frac{13}{16}$ | 3$\frac{31}{32}$ - 3$\frac{27}{32}$ | 3$\frac{15}{16}$ - 3$\frac{13}{16}$ | 4$\frac{1}{16}$ - 3$\frac{15}{16}$ | 4$\frac{3}{16}$ - 3$\frac{31}{32}$ | 4$\frac{7}{16}$ - 4$\frac{5}{16}$ |
| D-Mark | 3$\frac{11}{32}$ - 3$\frac{7}{32}$ | 3⅜ - 3¼ | 3$\frac{7}{16}$ - 3$\frac{5}{16}$ | 3$\frac{7}{16}$ - 3$\frac{5}{16}$ | 3⅝ - 3½ | 3⅝ - 3½ |
| Dutch Guilder | 2⅞ - 2¾ | 2⅞ - 2¾ | 2⅞ - 2$\frac{13}{16}$ | 2$\frac{31}{32}$ - 2$\frac{29}{32}$ | 3$\frac{1}{16}$ - 3 | 3$\frac{11}{32}$ - 3¼ |
| French Franc | 3$\frac{27}{32}$ - 3$\frac{23}{32}$ | 3$\frac{27}{32}$ - 3$\frac{23}{32}$ | 3$\frac{27}{32}$ - 3$\frac{23}{32}$ | 3$\frac{31}{32}$ - 3$\frac{27}{32}$ | 4$\frac{1}{32}$ - 3$\frac{29}{32}$ | 4$\frac{5}{32}$ - 4$\frac{1}{32}$ |
| Portuguese Esc. | 7$\frac{13}{16}$ - 7$\frac{11}{16}$ | 7$\frac{7}{16}$ - 7⅜ | 7⅜ - 7¼ | 7$\frac{5}{16}$ - 7$\frac{3}{16}$ | 7¼ - 7⅛ | 7¼ - 7⅛ |
| Spanish Peseta | 7⅜ - 7¼ | 7⅜ - 7¼ | 7$\frac{11}{32}$ - 7$\frac{7}{32}$ | 7$\frac{5}{16}$ - 7$\frac{3}{16}$ | 7$\frac{5}{16}$ - 7$\frac{3}{16}$ | 7$\frac{5}{16}$ - 7$\frac{3}{16}$ |
| Sterling | 5⅞ - 5¾ | 5$\frac{13}{16}$ - 5$\frac{11}{16}$ | 5$\frac{13}{16}$ - 5¾ | 5$\frac{29}{32}$ - 5$\frac{27}{32}$ | 5$\frac{13}{16}$ - 5¾ | 6$\frac{5}{16}$ - 6$\frac{3}{16}$ |
| Swiss Franc | 1¾ - 1½ | 2$\frac{5}{16}$ - 2$\frac{3}{16}$ | 2$\frac{5}{16}$ - 2$\frac{3}{16}$ | 2⅝ - 2½ | 2¾ - 2⅝ | 2⅞ - 2¾ |
| Can. Dollar | 4$\frac{13}{16}$ - 4¾ | 4¾ - 4⅝ | 4¾ - 4⅝ | 4⅞ - 4¾ | 5$\frac{1}{16}$ - 4$\frac{15}{16}$ | 5$\frac{9}{16}$ - 5$\frac{7}{16}$ |
| US Dollar | 5¼ - 5 | 5⅜ - 5¼ | 5½ - 5¼ | 5$\frac{5}{8}$ - 5½ | 5$\frac{13}{16}$ - 5$\frac{11}{16}$ | 6$\frac{1}{8}$ - 5$\frac{15}{16}$ |
| Italian Lira | 9½ - 9⅜ | 9$\frac{5}{16}$ - 9$\frac{3}{16}$ | 9$\frac{1}{16}$ - 8$\frac{15}{16}$ | 8⅞ - 8$\frac{13}{16}$ | 8$\frac{13}{16}$ - 8⅝ | 8$\frac{5}{16}$ - 7$\frac{15}{16}$ |
| Yen | ½ - ⅜ | $\frac{7}{16}$ - $\frac{11}{32}$ | $\frac{17}{32}$ - $\frac{15}{32}$ | $\frac{11}{16}$ - ¾ | ⅞ - ¾ | 1$\frac{3}{16}$ - 1$\frac{1}{16}$ |
| Asian $Sing | 2$\frac{13}{16}$ - 2$\frac{11}{16}$ | 2$\frac{13}{16}$ - 2$\frac{11}{16}$ | 2¾ - 2⅝ | 2¾ - 2⅝ | 2¾ - 2⅝ | 2$\frac{13}{16}$ - 2$\frac{11}{16}$ |

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ THREE MONTH PIBOR FUTURES (MATIF) Paris interbank offered rate (FFr 5m)

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Sep | 95.91 | 95.91 | -0.03 | 95.92 | 95.90 | 36,151 | 66,444 |
| Dec | 95.71 | 95.71 | -0.06 | 95.72 | 95.71 | 15,789 | 43,439 |
| Mar | 95.46 | 95.46 | -0.06 | 95.47 | 95.44 | 4,013 | 24,565 |

■ THREE MONTH EUROMARK FUTURES (LIFFE)* DM1m points of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Sep | 96.62 | 96.55 | -0.07 | 96.63 | 96.54 | 50437 | 201737 |
| Dec | 96.40 | 96.34 | -0.06 | 96.41 | 96.29 | 58539 | 200625 |
| Mar | 96.08 | 96.00 | -0.08 | 96.08 | 95.95 | 46905 | 190711 |
| Jun | 95.70 | 95.62 | -0.08 | 95.70 | 95.56 | 22037 | 111679 |

■ THREE MONTH EUROLIRA FUTURES (LIFFE)* L1000m points of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Sep | 91.92 | 91.80 | -0.14 | 91.92 | 91.78 | 24393 | 61734 |
| Dec | 92.22 | 92.22 | -0.09 | 92.30 | 92.20 | 8632 | 37071 |
| Mar | 92.34 | 92.31 | -0.09 | 92.40 | 92.31 | 1479 | 20526 |
| Jun | 92.28 | 92.23 | -0.07 | 92.29 | 92.25 | 427 | 10827 |

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Sep | 97.39 | 97.42 | +0.04 | 97.45 | 97.35 | 6679 | 38273 |
| Dec | 97.21 | 97.23 | +0.02 | 97.26 | 97.19 | 3012 | 18782 |
| Mar | 97.01 | 97.00 | +0.01 | 97.04 | 96.98 | 1187 | 9199 |
| Jun | 96.70 | 95.71 | +0.01 | 96.73 | 96.68 | 248 | 637 |

■ THREE MONTH EUROYEN FUTURES (LIFFE) Y100m points of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Sep | 99.19 | 99.19 | +0.00 | 99.19 | 99.19 | 60 | n/a |
| Dec | 98.85 | 98.85 | +0.10 | 98.85 | 98.85 | 1200 | n/a |
| Mar | 98.54 | 98.54 | +0.11 | 98.54 | 98.54 | 290 | n/a |

■ THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Sep | 95.60 | 95.55 | -0.08 | 95.62 | 95.54 | 1903 | 7635 |
| Dec | 95.46 | 95.39 | -0.08 | 95.47 | 95.34 | 912 | 4664 |
| Mar | 95.24 | 95.19 | -0.09 | 95.24 | 95.14 | 258 | 2851 |
| Jun | 94.94 | 94.85 | -0.09 | 94.95 | 94.87 | 184 | 2220 |

* LIFFE futures also traded on APT

## CROSS RATES AND DERIVATIVES

### EXCHANGE CROSS RATES

| Jun 27 | | BFr | DKr | FFr | DM | I£ | L | Fl | NKr | Es | Pta | SKr | SFr | £ | C$ | $ | Y | Ecu |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Belgium | (BFr) | 100 | 18.72 | 16.44 | 4.860 | 2.007 | 4897 | 5.448 | 20.76 | 500.0 | 408.9 | 21.17 | 3.994 | 2.065 | 4.352 | 3.193 | 349.0 | 2.565 |
| Denmark | (DKr) | 53.41 | 10 | 8.780 | 2.595 | 1.072 | 2615 | 2.909 | 11.09 | 267.0 | 218.4 | 11.31 | 2.133 | 1.103 | 2.324 | 1.705 | 186.4 | 1.370 |
| Other rows | | [illegible] | | | | | | | | | | | | | | | | |

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM — [illegible]

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100 — [illegible]

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr — [illegible]

■ STERLING FUTURES (IMM) £62,500 per £ — [illegible]

## UK INTEREST RATES

### LONDON MONEY RATES

[illegible]

UK clearing bank base lending rate 5¾ per cent from June 8, 1996

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100% — [illegible]

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100% — [illegible]

### EMS EUROPEAN CURRENCY UNIT RATES

[illegible]

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound) — [illegible]

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100% — [illegible]

■ US TREASURY BILL FUTURES (IMM) $1m per 100% — [illegible]

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100% — [illegible]

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100% — [illegible]

■ EUROLIRA OPTIONS (LIFFE) L1000m points of 100% — [illegible]

### BASE LENDING RATES

[illegible]

## LONDON SHARE SERVICE

### ALCOHOLIC BEVERAGES

### BANKS, MERCHANT

### BANKS, RETAIL

### BREWERIES, PUBS & REST

### BUILDING & CONSTRUCTION

### BUILDING MATS. & MERCHANTS

### CHEMICALS

### CHEMICALS - Cont.

### DISTRIBUTORS

### DIVERSIFIED INDUSTRIALS

### ELECTRICITY

### ELECTRONIC & ELECTRICAL EQPT

### ELECTRONIC & ELECTRICAL EQPT - Cont.

### ENGINEERING

### ENGINEERING - Cont.

### ENGINEERING, VEHICLES

### EXTRACTIVE INDUSTRIES

### EXTRACTIVE INDUSTRIES - Cont.

### FOOD PRODUCERS

### FOOD PRODUCERS - Cont.

### GAS DISTRIBUTION

### HEALTH CARE

### HOUSEHOLD GOODS

### INSURANCE

### INVESTMENT TRUSTS

### INVESTMENT TRUSTS - Cont.

### INV TRUSTS SPLIT CAPITAL

## LONDON SHARE SERVICE

### INV TRUSTS SPLIT CAPITAL - Cont.

### LEISURE & HOTELS - Cont.

### OTHER FINANCIAL - Cont.

### PROPERTY - Cont.

### SUPPORT SERVICES - Cont.

### AIM - Cont.

### PAPER, PACKAGING & PRINTING

### RETAILERS, FOOD

### TELECOMMUNICATIONS

### TEXTILES & APPAREL

### LIFE ASSURANCE

### MEDIA

### RETAILERS, GENERAL

### AMERICANS

### PHARMACEUTICALS

### CANADIANS

### TOBACCO

### TRANSPORT

### OTHER INVESTMENT TRUSTS

### SOUTH AFRICANS

| | Notes | Price | + or - | 52 week high | 52 week low | Mkt Cap£m | Yld Gr's | P/E |
|---|---|---|---|---|---|---|---|---|
| Anglo Am Ind | | £28½ | | £34½ | £28½ | 1,904 | 2.9 | Φ |
| Barlow | | £5½xd | | £10½ | £6½ | 1,383 | 2.0 | - |
| Gold Flds Prop R | | 125xd | — | 170 | 125 | 12.8 | 7.2 | 8.3 |
| NK Props | | 75 | — | 98 | 75 | 3.01 | 12.7 | - |
| SASOL | ♥ | 705 | -4 | 710 | 475 | 4,128 | 1.8 | - |
| SA Brews | | £19xd | | £28½ | £17½ | 5,598 | 2.0 | Φ |
| Standard Bank | □ | £25½ | | £32½ | £20½ | 3,059 | 1.5 | 20.9 |
| Tiger Oats | † | 900xd | — | 1270 | 805 | 1,354 | 1.8 | 17.7 |
| Tongaat-Hulett | | 815xd | — | 1247 | 692 | 771.5 | 2.4 | Φ |

### OIL EXPLORATION & PRODUCTION

### PROPERTY

### RETAILERS, GENERAL - Cont.

### WATER

### INVESTMENT COMPANIES

### SUPPORT SERVICES

### AIM

### OIL, INTEGRATED

### OTHER FINANCIAL

### LEISURE & HOTELS



## GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by FT Extel, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid-prices over a rolling 52 week period.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Earnings used in calculations are based on IIMR 'Headline Earnings' formula.

Price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures.

Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- • Highs and lows marked thus have been adjusted to allow for capital changes
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- Φ Figures or report awaited
- ♥ Rule 2.1(a)(iv) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below
- ✤ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Rule 4.2(a) Irish incorporated non-listed companies.
- # Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
a Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
z Dividend yield includes a special payment

F Yield based on prospectus or other official estimates for 1996-97.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1995.
K Yield based on prospectus or other official estimates for 1996
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1995-96.
N Dividend is paid in whole or part as a

FID (Foreign Income Dividend)
R Forecast annualised yield, p/e based on prospectus or other official estimates.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xi ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1350 a year for each security shown, subject to the Editor's discretion.

### ♣ FT Free Annual Reports Service

You can obtain the current annual/interim report of any company annotated with ♣. Please quote the code FT5215. Ring 0181 770 0770 (open 24 hours including weekends) or Fax 0181 770 3822. Reports will be sent the next working day, subject to availability.

### FT Company Focus

Comprehensive 10-14 page report available on the company, containing key FT stories from the last year, latest survey of City profit forecasts and investment recommendations, 5 year financial and share price performance review, balance sheet and profit and loss data, plus recent Stock Exchange announcements for £6.45.
To order, call 0121 200 4678.
Reports published by ShareFinder Ltd.

### FT Cityline

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An international service is available for callers outside the UK, annual subscription £250 stg.
Call 0171 873 4378 for more information on FT Cityline.
For readers phoning from outside UK, please dial +44 in place of the first 0.
The share prices printed on these pages are also available on the internet at www.FT.com.

# FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on ( +44 171 ) 873 4378 for more details.

# OFFSHORE AND OVERSEAS

## BERMUDA (SIB RECOGNISED)

Fidelity Currency Funds Ltd
Pembroke Hall, Pembroke, Bermuda

[illegible]

Prices for dealing June 27

Jupiter Tyndall (Bermuda) Ltd
PO Box HM1268, Hamilton, Bermuda 001 809 292 2780

[illegible]

## BERMUDA (REGULATED)(**)

[illegible]

## GUERNSEY (SIB RECOGNISED)

[illegible]

Sarasin Funds Mngmt (Guernsey) Ltd
PO Box 248, St Peter Port, Guernsey 01481 723021

[illegible]

Schroder Investment Mngmt (Guernsey) Ltd
PO Box 285, St Peter Port, Guernsey 01481 710851

[illegible]

## GUERNSEY (REGULATED)(**)

ANZ Mngmt Co (Guernsey) Ltd

[illegible]

Apollo Investment Management Ltd

[illegible]

Arab Bank Fund Managers (Guernsey) Ltd

[illegible]

Atlantis Fund Management (Guernsey) Ltd

[illegible]

BZW Asset Management Guernsey Ltd

[illegible]

Bachmann Global Investment Fund Ltd

[illegible]

## IRELAND (SIB RECOGNISED)

[illegible]

LGT Asset Management Ltd - Contd.

[illegible]

## IRELAND (REGULATED)(**)

[illegible]

Daiwa Europe Fund Mgrs Ireland Ltd - Contd.

[illegible]

Dragon Korea Fund Plc

[illegible]

Dynamic Pacific Portfolio Fund Plc

[illegible]

Egerton Capital European Fund Plc

[illegible]

Emerging Market Growth Fund Plc

[illegible]

F.I.T. Investment Trust

[illegible]

Falcon Market Fund Plc

[illegible]

Frank Russell Investment

[illegible]

## ISLE OF MAN (SIB RECOGNISED)

[illegible]

## ISLE OF MAN (REGULATED)(**)

[illegible]

## JERSEY (SIB RECOGNISED)

[illegible]

## JERSEY (REGULATED)(**)

[illegible]

## LUXEMBOURG (SIB RECOGNISED)

[illegible]

Fidelity Funds - Contd.

[illegible]

Schroder International Selection Fd - Contd.

[illegible]

## LUXEMBOURG (REGULATED)(**)

[illegible]

# FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

## OTHER OFFSHORE FUNDS

## OFFSHORE INSURANCES

| | Selling Price | Buying Price | + or - | Yield Gross |
|---|---|---|---|---|
| **Lloyds Bank Fund Managers (Guernsey) Ltd** | | | | |
| NAV Fully Paid May 31 | $11.23 | | - | - |
| **Wells Fargo U.S. IT Fund** | | | | |
| Wells Fargo A Shs | $14.65 | | - | - |
| **Worldwide Limited** | | | | |
| NAV May 21 | $46.26 | | - | - |
| **Xiphias International Investment Fd Ltd** | | | | |
| Xiphias Global Growth | [illegible] | | - | - |
| **Zanett Lombardier Ltd** | | | | |
| NAV Jun 1 | $185.07 | | - | - |
| **Zulauf Investment Management AG** | | | | |
| Zulauf Europe Fund NAV Jun 21 | DM108.75 | | - | - |
| **Zweig-DiMenna International Limited** | | | | |
| NAV May 31 | $75202 | | - | - |

### MANAGED FUNDS NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars.
Yields % allow for all buying expenses.
Prices of certain older insurance linked plans subject to capital gains tax on sales.
(**) Funds not SIB recognised. The regulatory authorities for these funds are:
Bermuda - Bermuda Monetary Authority
Guernsey - Financial Services Commission
Ireland - Central Bank of Ireland
Isle of Man - Financial Supervision Commission
Jersey - Financial Services Department
Luxembourg - Institut Monétaire Luxembourgeois.
Initial charge - Charge made on sale of units.
Selling price - Bid or redemption price.
Buying price - Offer or issue price.
Time - The time shown alongside the fund manager's name is the time of the fund's valuation point unless indicated by one of the following symbols:
(✱) - 0001 to 1100 hours
(♦) - 1101 to 1400 hours
(▲) - 1401 to 1700 hours
(♠) - 1701 to midnight.
E - Exit charge on sale of units.
O - Manager's periodic charge deducted from capital.
H - Historic pricing. F - Forward pricing.
h - Distribution free of UK taxes.
a - Periodic premium insurance plans.
s - Single premium insurance.
d - Designated as a UCITS (Undertakings for Collective Investment in Transferable Securities).
x - Offered price includes all expenses except agent's commission.
z - Previous day's price.
G - Guernsey gross.
♦ - Yield before Jersey tax.
† - Ex-subdivision. xd - Ex-dividend.
‡ - Only available to charitable bodies.
ф - Yield column shows annualised rates of NAV increase.

*The fund prices on these pages are also available on the Internet at www.FT.com*

# LONDON STOCK EXCHANGE

MARKET REPORT

# Little respite for beleaguered equity market

By Steve Thompson, UK Stock Market Editor

England's defeat in the penalty shoot-out with Germany on Wednesday was only part of the bad news afflicting the London stock market yesterday.

Share prices were under pressure from the outset for a variety of reasons, stretching from the hangover induced by the football result to the continued weakness of the FT-SE 100 future relative to the cash market, and a series of poorly received trading statements.

News of Boots' buyback of £300m worth of its own shares, did little to boost the share price, with some saying a buyback had been in the market for some time.

In the background, dealers said there had been an element of book squaring by some of the institutions as the second quarter draws to a close.

There was no support for London, either, from the US where Wall Street, heavily pressured on Wednesday evening, when the Dow Jones Industrial Average lost 36 points, fell sharply at the start of trading yesterday.

The FT-SE 100 index closed a net 16.7 off at 3,678.8 and the FT-SE Mid 250 was 24.4 down at 4,340.9.

The Dow dropped around 30 points shortly after the beginning of trading and was similarly lower an hour after London closed.

Global bond markets, too, provided little succour for equities around the world: gilts were never more than quietly depressed after the trade figures which, although causing few problems for the markets, also gave no help to the optimists. Bunds were said to have been unsettled by the Bundesbank's failure to shift its repo rates.

The market managed to claw back some of its earlier big losses during the last 30 minutes of the session. A big trading programme, weighted on the buy side and estimated by marketmakers at between £100m and £200m, and said to have been carried out by UBS, went through the market.

The programme trade included several exceptionally big lines of stock, such as 6.3m of British Steel, 3.6m of Burton, 2.9m of Fisher (A), 2.2m of Lasmo and 2.2m of Cookson.

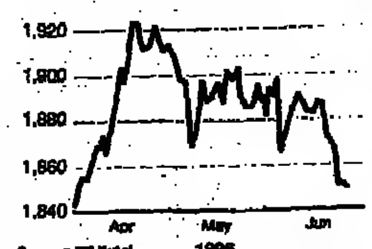
Other leading stocks represented in the big trading programme were Standard Chartered Bank, British Airways, BPB Industries, Powergen, 3i, Anglian Water, British Gas, Rolls-Royce, Dalgety and Tesco.

BTR moved to the top of the FT-SE 100 performance table as traders decided the recent selling pressure in the shares had been overdone. Food retailers generally outperformed at the expense of Asda. The food retailer's results, although coming in at the top end of analysts' expectations, were followed by persistent switching into other stocks in the sector, such as Argyll.

On the downside, Rank Organisation's trading statement, the first since the appointment of Mr Andrew Teare, the new chief executive, was greeted with dismay and some determined selling, which left the stock as the worst performer in the leaders.

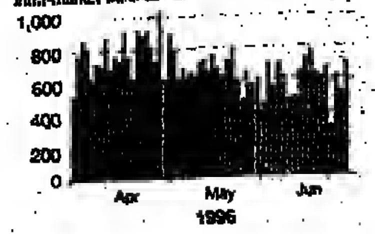
Turnover at 6pm was 766.8m shares, with FT-SE 100 stocks accounting for well over half the total. Customer business on Wednesday was valued at £1.66bn.

## FT-SE-A All-Share Index




## Equity shares traded

Turnover by volume (million). Excluding: intra-market business and overseas turnover




### Indices and ratios

| | | |
|---|---|---|
| FT-SE 100 | 3678.8 | -16.7 |
| FT-SE Mid 250 | 4340.9 | -24.4 |
| FT-SE-A 350 | 1857.1 | -8.9 |
| FT-SE-A All-Share | 1843.91 | -9.33 |
| FT-SE-A All-Share yield | 3.89 | 3.87 |
| FT Ordinary index | 2714.1 | -6.6 |
| FT-SE-A Non Fins p/e | 16.68 | 16.73 |
| FT-SE 100 Fut Jul | 3672.0 | -13.0 |
| 10 yr Gilt yield | 8.00 | 7.98 |
| Long gilt/equity yld ratio: | 2.14 | 2.16 |

### Best performing sectors

1 Diversified Industrials ...... +0.9
2 Water ...... +0.9
3 Health Care ...... +0.4
4 Distributors ...... +0.3
5 Retailers: General ...... +0.2

### Worst performing sectors

1 Leisure & Hotels ...... -1.9
2 Telecommunications ...... -1.6
3 Tobacco ...... -1.4
4 Gas Distribution ...... -1.4
5 Household Goods ...... -1.3

# Zeneca hits new peak

Zeneca, the pharmaceuticals group, jumped to a new closing peak on the back of broker recommendations.

The stock rose 20 to 1415p, with dealers citing a "buy" note from Morgan Stanley and a marketing presentation in the US by Merrill Lynch.

Traders said the shares also rose on speculation that the company may benefit from safety concerns over a rival class of heart drugs. Earlier this week, a US medical journal reported that calcium channel inhibitors could lead to a higher chance of cancer in patients. This prompted hope that sales of Zeneca's Zestril could rise.

There was a slight negative for the stock when the government announced that one of Zeneca's garden treatments could be harmful to eyes. However, analysts said the product produced sales of only £500,000 a year and was largely irrelevant to a group with annual turnover of around £5bn.

### Boots buyback

There was some disappointment in the market about the size of Boots' buyback of up to 51.36m shares at about 580p each. This was much smaller than the share repurchase in November 1994, suggesting to the market that Boots, which is cash rich, may still be looking for an acquisition.

Analysts said the buyback was a surprise, with no run-up of the share price before it was announced. Analysts forecast that Boots, which lost a penny to 580p, would be dull for some time before institutions participating in the buyback and eligible for tax credits could buy Boots again.

### BAe concerns

The Saudi Arabian factor was said to have rattled sentiment among the big defence stocks yesterday, with British Aerospace and Rolls-Royce both moving sharply lower.

Both groups supply a significant level of high margin business to Saudi Arabia, where the political background is being seen as increasingly unstable as a result of this week's US air base bombing.

"BAe has a big follow-up business in spares and servicing in areas like Tornado fighter contracts. There are reckoned to be 5,000 company personnel on the ground in Saudi," said an analyst.

Sector sentiment was also weakened by the prospect of UK defence cutbacks. BAe, which has outpaced the market by more than 50 per cent over the past year, came off 16 to 981p. Rolls-Royce lost 5 at 222p and Vickers 5 at 241p.

Glynwed International eased 2 to 317p following a profits downgrade from SGST. The broker sees a further 10p downside for the shares.

However, it has shifted from "hold" to "look to buy" on the shares. It says Glynwed is planning disposals as a prelude to greater business focus.

Expressway coach operator National Express fell by more than 4 per cent following a surprise conflict of interest ruling from the Department of Trade and Industry.

The shares ended off 21 at 482p as brokers talked openly of potential profit downgrades.

Analysts said that National Express will have to stop running coaches to five of its main 20 destinations. "This implies a loss of possibly 10 per cent of coach turnover, including transfer traffic as well as point to point business," one said.

A stock overhang was said to lie behind a 7 fall to 482p in P&O.

A disappointing trading statement from leisure group Rank Organisation prompted a sharp retreat in the stock, leaving it as the day's worst performer in the Footsie.

The stock dropped 33 to 498p. Analysts were said to be in the process of downgrading current year profits expectations by some £30m to about £430m.

Food retailer Asda Group came under pressure on profit-taking. The shares eased 4 to 114p in heavy trading of 30m.

UBS, which until yesterday had one of the highest profit forecasts in the market, raised its estimate by just £2.5m to £342.5m and said it remains a bull of the stock.

Kingfisher gained 10 at 647p, with continued interest from European buyers following its listing on the Paris stock exchange this week.

There was speculative interest in Body Shop, which firmed 3 to 180p after Aeon Group, of Japan, announced that it had acquired a 3.5 per cent stake in the company. The shares were purchased from Mr Ian McGlinn, an original shareholder in the company, who still holds a substantial stake in Body Shop.

A tumble in the prices of a number of regional restaurant and pub operators was blamed on a comment by Yates Brothers in its final results.

Yates's chairman spoke of intensifying competition for town centre sites that were suitable for conversion to licensed premises, a blunt statement that the market interpreted as bad news for regional pub and restaurant owners generally.

However, analysts said the concern had been overplayed and the market had overlooked Yates's statement that it was planning to accelerate its opening programme of licensed premises. Yates shed 3 to 385p. J.D. Wetherspoon plunged 48 to 990p and Regent Inns dropped 24 to 196p.

Wessex Water recovered sharply yesterday as a certain amount of bid talk mingled with yield-based buying.

Wessex is currently perceived as both predator and prey within the sector restructuring currently under way.

While it is in a takeover tussle with Severn Trent over South West Water, its region overlaps strongly with Southern Electric. And as Southern Electric has lost out in the recent battle for Southern Water, Wessex is considered the logical consolation prize.

Williams de Broë has been recommending Wessex as a speculative buy with a take-out price of 530p a share. The shares ended 8 up at 353p.

Legal & General receded 4 to 666p on the back of weak equity markets in the US and London. However, there was some support from Salomon Brothers, which initiated coverage of the stock with a buy note and a target price of 740p a share.

Morgan Stanley was said to have been recommending soon-to-be-merged Royal Insurance and Sun Alliance. Royal shed 4 to 392p and Sun 3 to 369p.

Telecoms shares were out of favour. BT fell almost 2 per cent ahead of an Oftel probe into marketing tactics, and Securicor extended its recent weak run to a 16 per cent decline in three days.

Securicor's results came in below broker forecasts and hit sentiment at both groups. Between them, they own the Cellnet mobile phones system, where margins are under pressure. There were profit downgrades on Securicor, and the City consensus looks to have come down to by £10m to around £100m to £105m.

BT ended 6½ lower at 344p and Securicor closed off 28 at 245p in turnover of 3.5m. The Cellnet worries washed over to Orange, which retreated 7 to 223½p. Vodafone, which puts out subscriber figures next week, eased a penny to 234½p.

**MARKET REPORTERS:**
Peter John, Joel Kibazo, Jeffrey Brown, Lisa Wood.

### FINANCIAL TIMES EQUITY INDICES

| | Jun 27 | Jun 26 | Jun 25 | Jun 24 | Jun 21 | Yr ago | *High | *Low |
|---|---|---|---|---|---|---|---|---|
| Ordinary Share | 2714.1 | 2720.7 | 2714.1 | 2735.9 | 2743.0 | 2457.5 | 2885.2 | 2698.7 |
| Ord. div. yield | 4.11 | 4.10 | 4.12 | 4.09 | 4.07 | 4.30 | 4.12 | 3.76 |
| P/E ratio net | 15.04 | 15.07 | 16.02 | 16.14 | 16.19 | 15.49 | 17.25 | 15.96 |
| P/E ratio nil | 15.99 | 15.90 | 15.93 | 16.05 | 16.10 | 15.27 | 17.08 | 15.76 |

Ordinary Share index since compilation: high 2885.2 19/04/96: low 49.4 26/06/40. Base Date: 1/7/35.

Ordinary Share hourly changes

| Open | 9.00 | 10.00 | 11.00 | 12.00 | 13.00 | 14.00 | 15.00 | 16.00 | High | Low |
|---|---|---|---|---|---|---|---|---|---|---|
| 2717.2 | 2712.2 | 2721.9 | 2720.1 | 2716.3 | 2709.5 | 2709.2 | 2708.4 | 2712.8 | 2722.0 | 2707.8 |

| | Jun 27 | Jun 26 | Jun 25 | Jun 24 | Jun 21 | Yr ago |
|---|---|---|---|---|---|---|
| SEAQ bargains | 26,750 | 28,787 | 29,156 | 29,173 | 29,193 | 18,712 |
| Equity turnover (£m)† | - | 1662.0 | 1844.8 | 1592.1 | 1714.7 | 1229.4 |
| Equity bargains† | - | 32,756 | 34,421 | 35,053 | 34,852 | 24,410 |
| Shares traded (mil)† | - | 630.9 | 711.1 | 544.1 | 615.3 | 527.0 |

†Excluding intra-market business and overseas turnover.

| | Jun 27 | Jun 26 | Jun 25 | Jun 24 | Jun 21 | Yr ago | *High | *Low |
|---|---|---|---|---|---|---|---|---|
| FT-SE AIM | 1077.10 | 1091.40 | 1092.90 | 1097.80 | 1102.40 | - | 1140.40 | 965.70 |

*For 1996.

■ London market data

| Rises and falls* | | 52 Week highs and lows | | LIFFE Equity options | |
|---|---|---|---|---|---|
| Total Rises | 257 | Total Highs | 44 | Total contracts | 33,540 |
| Total Falls | 1130 | Total Lows | 66 | Calls | 20,525 |
| Same | 1326 | | | Puts | 13,015 |

June 27 *Data based on Equity shares listed on the London Share Service.

## FUTURES AND OPTIONS

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Sep | 3676.0 | 3672.0 | -13.0 | 3684.0 | 3658.0 | 8028 | 59780 |
| Dec | 3686.0 | 3694.0 | -13.0 | 3686.0 | 3683.5 | 31 | 1114 |

■ FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Sep | 4340.0 | 4350.0 | -30.0 | 4340.0 | 4340.0 | 60 | 3800 |

■ FT-SE 100 INDEX OPTION (LIFFE) (*3678) £10 per full index point

| | 3500 C | 3500 P | 3550 C | 3550 P | 3600 C | 3600 P | 3650 C | 3650 P | 3700 C | 3700 P | 3750 C | 3750 P | 3800 C | 3800 P | 3850 C | 3850 P |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Jul | 176½ | 4 | 131 | 8 | 90 | 16½ | 54 | 30 | 26½ | 54 | 11 | 89 | 3½ | 131½ | 1 | 185 |
| Aug | 183½ | 16½ | 142½ | 23½ | 105½ | 36 | 75 | 55 | 49½ | 79½ | 30 | 112 | 15½ | 148 | 7 | 189½ |
| Sep | 199 | 30 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Oct | 217 | 44 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Dec† | 250 | 63½ | [illegible] | [illegible] | 199 | 97½ | [illegible] | [illegible] | 138½ | 141 | [illegible] | [illegible] | 95 | 196 | [illegible] | [illegible] |

Calls 1,518 Puts 2,528

■ EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

| | 3475 C | 3475 P | 3525 C | 3525 P | 3575 C | 3575 P | 3625 C | 3625 P | 3675 C | 3675 P | 3725 C | 3725 P | 3775 C | 3775 P | 3825 C | 3825 P |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Jul | 200½ | 3 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Aug | 204½ | 12½ | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Sep | 219 | 24½ | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Dec | | | | | 237½ | 73½ | | | 173 | 105 | | | 121 | 151 | | |
| Mar† | | | | | 281 | 105 | | | 221½ | 143 | | | 168 | 184½ | | |

Calls 4,383 Puts 3,571 * Underlying index value. Premiums shown are based on settlement prices.
† Long dated expiry months.

### LONDON RECENT ISSUES: EQUITIES

| Issue price p | Amt paid up | Mkt. cap (£m.) | 1996 High | 1996 Low | Stock | Close price p | +/- | Net div. | Div. cov. | Grs yld | P/E net |
|---|---|---|---|---|---|---|---|---|---|---|---|
| - | F.P. | 3.70 | 56 | 43 | Biocompatibles W | 47 | | | | | |
| - | F.P. | - | 11 | 9 | Carlisle Wts | 9 | | | | | |
| - | F.P. | 108.1 | 221 | 208 | Cay Technology | 216 | -2 | | | | |
| - | F.P. | 42.0 | 138 | 113 | †Fibernet Group | 113 | | | | | |
| - | F.P. | 17,408 | £37⅛ | £35⅛ | Elect Data Sys | £35¾ | -⅛ | | | | |
| 60 | F.P. | 3.15 | 65 | 63 | †Fielders | 63 | | | | | |
| - | F.P. | 23.3 | 30 | 16 | †Gold Mn Sardinia | 16 | -1 | | | | |
| - | F.P. | 4.82 | 11 | 6 | †Gold Sard Wts | 9 | -1 | | | | |
| - | F.P. | 40.3 | 297 | 255 | †IES | 265 | | 20.6 | | 0.3 | |
| - | F.P. | 5.18 | 260 | 240 | †IES Warrants | 250 | +5 | | | | |
| - | F.P. | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | | | | | |

† Alternative Investment Market. For a full explanation of all other symbols please refer to The London Share Service notes.

## FT GOLD MINES INDEX

| | Jun 26 | % chg on day | Jun 25 | Year ago | Gross div yield % | P/E ratio | 52 week High | 52 week Low |
|---|---|---|---|---|---|---|---|---|
| Gold Mines Index (31) | 2857.46 | -1.2 | 2891.74 | 1980.93 | 1.52 | - | 2878.73 | 1772.95 |
| ■ Regional indices | | | | | | | | |
| Africa (13) | 2769.13 | -0.8 | 2792.61 | 2729.41 | 2.63 | 37.60 | 3553.86 | 2272.74 |
| Australasia (6) | 2456.65 | +0.1 | 2454.56 | 2334.67 | 2.68 | 28.73 | 2927.34 | 2142.76 |
| North America (12) | 1798.65 | -1.6 | 1828.05 | 1730.10 | 0.77 | 63.96 | 2186.39 | 1488.94 |

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## FT - SE Actuaries Share Indices — The UK Series

| | Jun 27 | Day's chge% | Jun 26 | Jun 25 | Jun 24 | Year ago | Div. yield% | Net cover | P/E ratio | Xd adj. ytd | Total Return |
|---|---|---|---|---|---|---|---|---|---|---|---|
| FT-SE 100 | 3678.8 | -0.5 | 3695.5 | 3679.5 | 3710.8 | 3294.0 | 4.12 | 2.14 | 14.16 | 90.16 | 1506.21 |
| FT-SE Mid 250 | 4340.9 | -0.5 | 4365.3 | 4384.5 | 4433.3 | 3592.9 | 3.44 | 1.74 | 20.95 | 106.01 | 1748.77 |
| FT-SE Mid 250 ex Inv Trusts | 4379.7 | -0.5 | 4403.4 | 4425.0 | 4476.1 | 3600.1 | 3.52 | 1.78 | 19.92 | 111.63 | 1767.60 |
| FT-SE-A 350 | 1857.1 | -0.5 | 1866.0 | 1861.5 | 1878.4 | 1634.6 | 3.97 | 2.06 | 15.28 | 45.49 | 1554.86 |
| FT-SE-A 350 Higher Yield | 1779.1 | -0.5 | 1788.1 | 1780.6 | 1798.1 | 1638.1 | 5.31 | 1.93 | 12.20 | 53.80 | 1245.57 |
| FT-SE-A 350 Lower Yield | 1942.1 | -0.5 | 1950.9 | 1948.4 | 1965.9 | 1632.5 | 2.75 | 2.28 | 16.84 | 37.50 | 1347.42 |
| FT-SE SmallCap | 2193.97 | -0.7 | 2209.06 | 2217.34 | 2226.69 | 1835.08 | 2.87 | 1.76 | 23.81 | 35.44 | 1803.30 |
| FT-SE SmallCap ex Inv Trusts | 2194.71 | -0.7 | 2209.70 | 2219.43 | 2230.69 | 1813.05 | 3.14 | 1.86 | 21.44 | 37.56 | 1815.56 |
| FT-SE-A ALL-SHARE | 1843.91 | -0.5 | 1853.24 | 1849.55 | 1865.79 | 1616.23 | 3.89 | 2.04 | 15.74 | 43.81 | 1567.77 |

■ FT-SE Actuaries All-Share

| | Jun 27 | Day's chge% | Jun 26 | Jun 25 | Jun 24 | Year ago | Div. yield% | Net cover | P/E ratio | Xd adj. ytd | Total Return |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 10 MINERAL EXTRACTION(24) | 3466.09 | -0.4 | 3478.57 | 3459.71 | 3470.65 | 2834.00 | 3.86 | 1.83 | 17.65 | 79.25 | 1493.39 |
| 12 Extractive Industries(6) | 4233.16 | -1.0 | 4275.85 | 4309.80 | 4337.31 | 3765.01 | 3.79 | 2.52 | 13.10 | 109.16 | 1245.69 |
| 15 Oil, Integrated(3) | 3521.51 | -0.3 | 3531.24 | 3500.63 | 3509.40 | 2832.67 | 4.06 | 1.72 | 17.84 | 61.84 | 1556.13 |
| 18 Oil Exploration & Prod(15) | 2486.06 | -0.3 | 2494.58 | 2489.01 | 2497.86 | 2035.80 | 2.11 | 1.82 | 36.53 | 34.94 | 1497.31 |
| 20 GEN INDUSTRIALS(275) | 2014.67 | -0.2 | 2019.52 | 2021.66 | 2046.94 | 1900.02 | 4.27 | 1.89 | 15.51 | 45.01 | 1105.30 |
| 21 Building & Construction(34) | 1183.50 | -0.4 | 1187.96 | 1200.67 | 1210.07 | 939.54 | 3.46 | 1.68 | 21.39 | 20.78 | 992.69 |
| 22 Building Matls & Merchs(29) | 1857.06 | -0.7 | 1870.05 | 1861.80 | 1896.23 | 1728.97 | 4.12 | 1.58 | 18.01 | 42.61 | 942.40 |
| 23 Chemicals(25) | 2417.70 | .... | 2418.51 | 2420.44 | 2448.57 | 2373.04 | 4.12 | 1.96 | 15.44 | 67.53 | 1151.74 |
| 24 Diversified Industrials(19) | 1590.47 | +0.9 | 1575.68 | 1550.10 | 1589.97 | 1766.81 | 6.54 | 1.89 | 11.34 | 55.38 | 897.34 |
| 25 Electronic & Elect Equip(37) | [illegible] | | | | | | | | | | |
| 26 Engineering(71) | [illegible] | | | | | | | | | | |
| 27 Engineering, Vehicles(13) | [illegible] | | | | | | | | | | |
| 28 Paper, Pckg & Printing(26) | [illegible] | | | | | | | | | | |
| 29 Textiles & Apparel(19) | [illegible] | | | | | | | | | | |
| 30 CONSUMER GOODS(91) | [illegible] | | | | | | | | | | |
| 32 Alcoholic Beverages(8) | [illegible] | | | | | | | | | | |
| 33 Food Producers(23) | [illegible] | | | | | | | | | | |
| 34 Household Goods(15) | [illegible] | | | | | | | | | | |
| 36 Health Care(20) | [illegible] | | | | | | | | | | |
| 37 Pharmaceuticals(13) | [illegible] | | | | | | | | | | |
| 38 Tobacco(1) | [illegible] | | | | | | | | | | |
| 40 SERVICES(256) | [illegible] | | | | | | | | | | |
| 41 Distributors(33) | [illegible] | | | | | | | | | | |
| 42 Leisure & Hotels(24) | [illegible] | | | | | | | | | | |
| 43 Media(46) | [illegible] | | | | | | | | | | |
| 44 Retailers, Food(15) | [illegible] | | | | | | | | | | |
| 45 Retailers, General(44) | [illegible] | | | | | | | | | | |
| 47 Breweries, Pubs & Rest.(24) | [illegible] | | | | | | | | | | |
| 48 Support Services(49) | [illegible] | | | | | | | | | | |
| 49 Transport(22) | [illegible] | | | | | | | | | | |
| 60 UTILITIES(36) | [illegible] | | | | | | | | | | |
| 62 Electricity(11) | [illegible] | | | | | | | | | | |
| 64 Gas Distribution(2) | [illegible] | | | | | | | | | | |
| 66 Telecommunications(8) | [illegible] | | | | | | | | | | |
| 68 Water(12) | [illegible] | | | | | | | | | | |
| 69 NON-FINANCIALS(682) | [illegible] | | | | | | | | | | |
| 70 FINANCIALS(105) | [illegible] | | | | | | | | | | |
| 71 Banks, Retail(9) | [illegible] | | | | | | | | | | |
| 72 Banks, Merchant(6) | [illegible] | | | | | | | | | | |
| 73 Insurance(26) | [illegible] | | | | | | | | | | |
| 74 Life Assurance(6) | [illegible] | | | | | | | | | | |
| 77 Other Financial(21) | [illegible] | | | | | | | | | | |
| 79 Property(41) | [illegible] | | | | | | | | | | |
| 80 INVESTMENT TRUSTS(126) | [illegible] | | | | | | | | | | |
| 89 FT-SE-A ALL-SHARE(913) | 1843.91 | -0.5 | 1853.24 | 1849.55 | 1865.79 | 1616.23 | 3.89 | 2.04 | 15.74 | 43.81 | 1567.77 |
| FT-SE-A Fledgling | [illegible] | | | | | | | | | | |
| FT-SE-A Fledgling ex Inv Trusts | [illegible] | | | | | | | | | | |

■ Hourly movements

| | Open | 9.00 | 10.00 | 11.00 | 12.00 | 13.00 | 14.00 | 15.00 | 16.10 | High/day | Low/day |
|---|---|---|---|---|---|---|---|---|---|---|---|
| FT-SE 100 | [illegible] | | | | | | | | | | |
| FT-SE Mid 250 | [illegible] | | | | | | | | | | |
| FT-SE-A 350 | [illegible] | | | | | | | | | | |

■ FT-SE Actuaries 350 Industry baskets

| | Open | 9.00 | 10.00 | 11.00 | 12.00 | 13.00 | 14.00 | 15.00 | 16.10 | Close | Previous | Change |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Bldg & Cnstrcn | [illegible] | | | | | | | | | | | |
| Pharmaceuticals | [illegible] | | | | | | | | | | | |
| Water | [illegible] | | | | | | | | | | | |
| Banks, Retail | [illegible] | | | | | | | | | | | |

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## TRADING VOLUME

■ Major Stocks Yesterday

| | Vol. 000s | Closing price | Day's change |
|---|---|---|---|
| [illegible] | | | |

Based on trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. † Indicates an FT-SE 100 index constituent. All trades are included.

# WORLD STOCK MARKETS

## EUROPE

AUSTRIA (Jun 27 / Sch)

BELGIUM/LUXEMBOURG (Jun 27 / Frs.)

CZECH REP (Jun 27 / Koruna)

DENMARK (Jun 27 / Kr)

FINLAND (Jun 27 / Mkka)

FRANCE (Jun 27 / Frs.)

GERMANY (Jun 27 / Dm.)

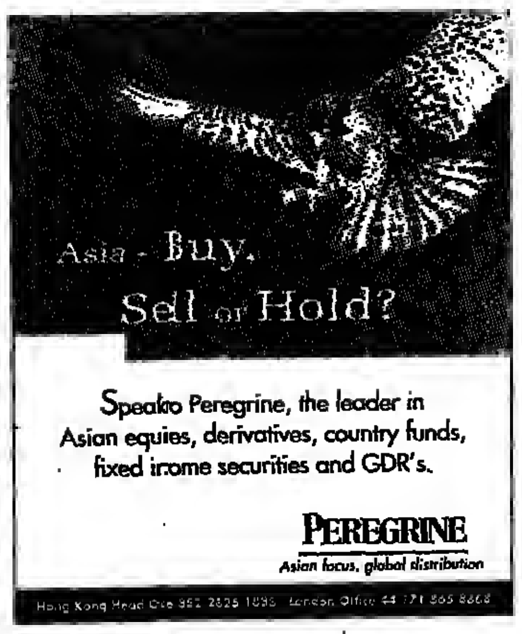
GREECE (Jun 27 / Drachma)

ITALY (Jun 27 / Lira)

NORWAY (Jun 27 / Kroner)

POLAND (Jun 27 / Zloty)

| | | +/- | High | Low | Yld | P/E |
|---|---|---|---|---|---|---|
| Elktrm | 22.50 | -.70 | 23.20 | 0 | 0.5 | ... |
| Exbud | 00 | +1 | 41.00 | 10.50 | — | .. |
| Mostal | 12.10 | +.10 | 13.90 | 6.40 | — | .. |
| Wedel | 126 | +1 | 148 | 82 | 1.0 | ... |
| Wlczak | 21.30 | -.50 | 27.50 | 21.90 | 1.4 | — |
| Zywiec | 210 | — | 235 | 170 | 1.8 | ... |




PORTUGAL (Jun 27 / Escudo)

| | | +/- | High | Low | Yld | P/E |
|---|---|---|---|---|---|---|
| BCO PI | 1,990 | +1 | 2,070 | 1,736 | 5.0 | ... |
| BCPort | 1,810 | -30 | 2,140 | 1,694 | 3.3 | — |
| BESant | 2,490 | -5 | 2,800 | 2,220 | 4.6 | — |
| BancTA | 3,060 | -24 | 3,120 | 2,465 | 6.2 | ... |
| ModCnt | 4,790 | +230 | 4,800 | 3,900 | 1.3 | — |
| PTelcm | 4,085 | +70 | 4,184 | 2,803 | 2.2 | — |
| Sonlnv | 4,094 | -3 | 4,189 | 3,180 | 3.7 | — |
| Unicer | 2,781 | -9 | 2,980 | 2,405 | 8.8 | — |

SPAIN (Jun 27 / Pts.)

NETHERLANDS (Jun 27 / Fls.)

SWEDEN (Jun 27 / Kronor)

| | | +/- | High | Low | Yld | P/E |
|---|---|---|---|---|---|---|
| AGA A | 114.50 | -1.90 | 120 | 89 | 2.4 | — |
| AGA B | 115 | -1.50 | 118 | 60.50 | 2.4 | — |
| Abb A | 702 | — | 720 | 646 | 2.3 | — |
| Abb B | 696 | +1 | 716 | 633 | 2.5 | — |

SWITZERLAND (Jun 27 / Frs.)

TURKEY (Jun 27 / TK Lira)

## PACIFIC

JAPAN (Jun 27 / Yen)

HONG KONG (Jun 27 / H.K.$)

INDONESIA (Jun 27 / Rupiah)

MALAYSIA (Jun 27 / MYR)

NEW ZEALAND (Jun 27 / NZ $)

SINGAPORE (Jun 27 / S$)

AUSTRALIA (Jun 27 / Aust$)

SOUTH KOREA (Jun 27 / Won)

TAIWAN (Jun 27 / TW $)

THAILAND (Jun 27 / Baht)

## AFRICA

SOUTH AFRICA (Jun 27 / Rand)

## NORTH AMERICA

CANADA

TORONTO (Jun 27 / Can $)
4 pm close

MONTREAL (Jun 27 / Can $)
4 pm close

## INDICES

| | Jun 27 | Jun 26 | Jun 25 | 1996 High | | 1996 Low | |
|---|---|---|---|---|---|---|---|
| **Argentina** | | | | | | | |
| General(29/12/77) | (u) | 18689.98 | 18548.14 | 19881.85 | 20/5 | 15828.81 | 19/3 |
| **Australia** | | | | | | | |
| All Ordinaries(1/1/80) | 2241.8 | 2252.8 | 2254.3 | 2328.00 | 26/4 | 2147.48 | 11/3 |
| All Mining(1/1/80) | 1023.2 | 1028.3 | 1035.2 | 1118.40 | 8/5 | 1004.70 | 16/1 |
| **Austria** | | | | | | | |
| Credit Aktien(30/12/84) | 374.56 | 377.54 | 377.59 | 384.89 | 31/5 | 332.78 | 2/1 |
| Traded Index(2/1/91) | 1082.57 | 1098.43 | 1099.56 | 1142.51 | 28/5 | 975.27 | 2/1 |
| **Belgium** | | | | | | | |
| BEL20(1/1/91) | 1730.17 | 1736.88 | 1735.07 | 1773.20 | 28/5 | 1574.96 | 2/1 |
| **Brazil** | | | | | | | |
| Bovespa(29/12/83) | (u) | 62272.0 | 60824.0 | 62272.00 | 26/6 | 43901.06 | 2/1 |
| **Canada** | | | | | | | |
| Metals Minls♦(1975) | (u) | 5081.49 | 5153.43 | 5824.00 | 8/5 | 4587.47 | 18/1 |
| Composite♦(1975) | (u) | 5027.70 | 5069.60 | 6238.90 | 22/5 | 4739.70 | 15/1 |
| Portfolio§§(4/1/83) | (u) | 2477.11 | 2498.49 | 2585.65 | 27/5 | 2327.39 | 12/1 |
| **Chile** | | | | | | | |
| IGPA Gen♥(31/12/80) | (u) | 5496.08 | 5488.50 | 5804.33 | 6/1 | 5216.28 | 8/4 |
| **Denmark** | | | | | | | |
| CopenhagenSE(3/1/83) | 407.89 | 407.26 | 407.20 | 407.89 | 27/6 | 368.48 | 2/1 |
| **Finland** | | | | | | | |
| HEX General(28/12/90) | 1980.14 | 2006.70 | 2000.35 | 2070.42 | 31/5 | 1631.87 | 10/1 |
| **France** | | | | | | | |
| SBF 250(31/12/90) | 1441.20 | 1440.71 | 1444.13 | 1457.56 | 6/6 | 1250.16 | 2/1 |
| CAC 40(31/12/87) | 2112.85 | 2113.28 | 2118.43 | 2146.79 | 30/4 | 1887.06 | 11/1 |
| **Germany** | | | | | | | |
| FAZ Aktien(31/12/58) | 906.77 | 911.58 | 909.47 | 911.58 | 26/6 | 818.56 | 2/1 |
| Commerzbank(1/12/53) | 2617.80 | 2623.40 | 2620.30 | 2623.40 | 26/6 | 2370.20 | 2/1 |
| DAX‡(30/12/87) | 2551.62 | 2573.68 | 2572.98 | 2573.80 | 26/6 | 2284.86 | 2/1 |
| **Greece** | | | | | | | |
| Athens SE(31/12/80) | 911.50 | (c) | 899.76 | 1017.98 | 4/3 | 881.83 | 24/6 |
| **Hong Kong** | | | | | | | |
| Hang Seng(31/7/64) | 11002.45 | 11059.92 | 10982.77 | 11594.99 | 15/2 | 10204.87 | 2/1 |
| **India** | | | | | | | |
| BSE Sens.(1979) | 3849.11 | 3792.75 | 3855.06 | 4069.26 | 19/6 | 2826.06 | 25/1 |
| **Indonesia** | | | | | | | |
| Jakarta Comp.(10/8/82) | 592.03 | 592.79 | 584.20 | 630.21 | 24/4 | 512.48 | 2/1 |
| **Ireland** | | | | | | | |
| ISEQ Overall(4/1/88) | 2532.08 | 2544.30 | 2564.00 | 2598.19 | 19/6 | 2234.81 | 2/1 |
| **Italy** | | | | | | | |
| Banca Comm Ital(1972) | 656.10 | 661.18 | 664.52 | 674.18 | 20/5 | 572.21 | 23/3 |
| MIB General(2/1/86) | 1112.0 | 1121.0 | 1126.0 | 1142.00 | 20/5 | 976.09 | 27/3 |
| **Japan** | | | | | | | |
| Nikkei 225(16/5/49) | 22501.61 | 22686.80 | 22597.17 | 22666.80 | 26/6 | 19734.70 | 13/3 |
| Nikkei 300(1/10/82) | 317.79 | 319.70 | 318.57 | 319.70 | 26/6 | 284.48 | 11/3 |

| | Jun 27 | Jun 26 | Jun 25 | 1996 High | | 1996 Low | |
|---|---|---|---|---|---|---|---|
| **Japan** | | | | | | | |
| Topix(4/1/68) | 1712.21 | 1722.13 | 1715.53 | 1722.13 | 26/6 | 1524.12 | 13/3 |
| 2nd Section(4/1/68) | 2232.11 | 2234.50 | 2227.51 | 2243.28 | 2/5 | 1962.78 | 14/3 |
| **Malaysia** | | | | | | | |
| KLSE Comp.(4/4/86) | 1135.62 | 1130.77 | 1148.88 | 1189.54 | 30/4 | 993.13 | 2/1 |
| **Mexico** | | | | | | | |
| IPC(Nov 1978) | (u) | 3177.91 | 3159.98 | 3362.89 | 22/5 | 2738.38 | 8/3 |
| **Netherland** | | | | | | | |
| CBS TtlRtnGend 83) | 639.9 | 642.3 | 638.3 | 652.80 | 12/6 | 538.50 | 2/1 |
| CBS All Shr(E 83) | 379.6 | 381.0 | 379.2 | 387.30 | 12/6 | 326.70 | 2/1 |
| **New Zealand** | | | | | | | |
| Cap. 40(1/7/86) | 2095.43 | 2088.95 | 2098.26 | 2203.08 | 4/1 | 2025.14 | 7/6 |
| **Norway** | | | | | | | |
| Oslo SE(Ind(2/1/83) | 1418.32 | 1425.22 | 1420.35 | 1466.71 | 12/6 | 1259.68 | 30/1 |
| **Philippine** | | | | | | | |
| Manila Comp(1/85) | 3256.53 | 3240.39 | 3216.58 | 3296.78 | 10/6 | 2576.97 | 2/1 |
| **Portugal** | | | | | | | |
| BVL 30(4/1/1) | 1962.51 | 1958.48 | 1949.80 | 1962.51 | 27/6 | 1602.81 | 2/1 |
| **Singapore** | | | | | | | |
| SES All-S'pr(2/4/75) | 580.47 | 580.52 | 582.10 | 618.37 | 5/2 | 553.89 | 2/1 |
| **South Africa** | | | | | | | |
| JSE Gold(2/1/78) | 1782.6* | 1791.1 | 1812.0 | 2030.49 | 29/5 | 1348.40 | 2/1 |
| JSE Ind.(2/1/78) | 8182.7* | 8172.8 | 8144.2 | 8738.30 | 25/1 | 7723.28 | 20/5 |
| **South Korea** | | | | | | | |
| KoreaComp¶(4/1/80) | 830.05 | 823.63 | 836.94 | 986.84 | 7/5 | 820.05 | 27/6 |
| **Spain** | | | | | | | |
| Madrid SE(30/12/85) | 371.03 | 372.88 | 374.07 | 374.87 | 25/6 | 323.75 | 11/1 |
| **Sweden** | | | | | | | |
| Affarsvarlden(1/2/37) | 1981.9 | 1975.2 | 1980.5 | 2018.09 | 6/6 | 1706.80 | 22/1 |
| **Switzerland** | | | | | | | |
| Swiss Bnk(31/12/58) | 1776.52 | 1782.04 | 1774.32 | 1782.04 | 26/6 | 1518.19 | 17/1 |
| SBC General(1/4/87) | 1257.74 | 1262.66 | 1255.03 | 1262.66 | 26/6 | 1114.47 | 26/1 |
| **Taiwan** | | | | | | | |
| Weighted Pr(30/6/66) | 6537.20 | 6380.87 | 6384.07 | 6537.20 | 27/6 | 4690.22 | 5/2 |
| **Thailand** | | | | | | | |
| Bangkok SET(30/4/75) | 1237.10 | 1226.35 | 1225.57 | 1415.04 | 6/2 | 1223.40 | 24/6 |
| **Turkey** | | | | | | | |
| Istanbul Cap.(Jan 1986) | 68219.6 | 68063.0 | 67856.8 | 72069.60 | 8/4 | 38779.30 | 2/1 |
| **WORLD** | | | | | | | |
| MS Capital Int(1/1/70) | 775.0* | 777.2 | 778.8 | 780.30 | 22/5 | 725.90 | 15/1 |
| **CROSS-BORDER** | | | | | | | |
| Eurotop 100(26/10/90) | 1693.02 | 1699.10 | 1695.42 | 1699.17 | 28/5 | 1504.40 | 11/1 |
| Euro T-100(26/6/90) | 1427.30 | 1437.84 | 1437.44 | 1458.28 | 28/4 | 1333.01 | 11/1 |
| HSBC Orgn(31/12/88) | (u) | 377.97 | 377.57 | 383.16 | 18/4 | 344.18 | 2/1 |
| ING Bs Emrg(7/1/92) | (u) | 162.97 | 163.26 | 164.14 | 14/5 | 147.35 | 2/1 |

## INDEX FUTURES

| | Open | Sett Price | Change | High | Low | Est. vol. | Open Int. |
|---|---|---|---|---|---|---|---|
| **CAC-40 (200 x index)** | | | | | | | |
| Jun | 2109.5 | 2108.5 | -6.5 | 2120.0 | 2101.0 | 26,736 | 16,637 |
| Jul | 2107.5 | 2107.0 | -6.5 | 2120.0 | 2100.0 | 12,692 | 32,267 |
| **DAX** | | | | | | | |
| Sep | 2584.0 | 2570.5 | -23.0 | 2590.0 | 2565.0 | 15,870 | - |
| Dec | 2604.0 | 2590.0 | -23.0 | 2604.0 | 2586.0 | 5 | - |
| **OX** | | | | | | | |
| Jun | 1527.00 | 1521.00 | -15.50 | 1531.25 | 1518.75 | 4,569 | 56,874 |
| Jul | 1534.00 | 1527.50 | -16.25 | 1538.50 | 1525.00 | 2,951 | 13,292 |
| **SAFEX** | | | | | | | |
| Jun | 3720.0 | 3706.0 | -12.0 | 3733.0 | 3703.0 | 4,122 | 30,786 |
| Jul | 3720.0 | 3718.0 | -5.00 | 3720.0 | 3717.4 | 13 | 92 |

¬ Sat Jun 22: Taiwan Weighted Price 6401.35; Korea Comp Ex 856.28. Base values of all indices are 10 except: Australia All Ordinary and Mining - 500; Austria Traded, BEL20, HEX Gen., MIB Gen., BVL 30, SBF250, CAC40, Euro Top-100, EQ Overall; Toronto Comp./Metals & Minerals and DAX - all 1,000; JSE Gold - 255.7; JSE 20 Industrials - 264.3; NYSE All Common - 1 and Standard and Poor's - 10. §§ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours index: Jun 27 - 2551.80 -1.26.

## US INDICES

| Dow Jones | Jun 26 | Jun 25 | Jun 24 | 1996 High | 1996 Low | Since compilation High | Since compilation Low |
|---|---|---|---|---|---|---|---|
| Industrials | 5682.70 | 5719.27 | 5717.79 | 5778.00 (22/5) | 5032.94 (10/1) | 5778.00 (22/5/96) | 41.22 (8/7/32) |
| Home Bonds | 101.23 | 101.32 | 101.06 | 108.08 (14/2) | 101.06 (24/6) | 108.77 (18/10/93) | 54.99 (1/10/81) |
| Transport | 2168.35 | 2197.46 | 2206.88 | 2296.20 (22/5) | 1882.71 (18/1) | 2296.20 (22/5/96) | 12.32 (8/7/32) |
| Utilities | 213.04 | 212.34 | 211.71 | 234.08 (12/2) | 205.42 (7/6) | 256.46 (31/8/93) | 10.50 (8/4/32) |

DJ Ind. Day's high 5730.22 (5760.27) Low 5652.04 (5686.66) (Theoretical♦)
Day's high 5720.36 (5729.61) Low 5674.20 (5698.31) (Actual♦)

| Standard and Poors | Jun 26 | Jun 25 | Jun 24 | 1996 High | 1996 Low | Since compilation High | Since compilation Low |
|---|---|---|---|---|---|---|---|
| Composite‡ | 664.39 | 668.48 | 668.85 | 678.51 (24/5) | 598.48 (10/1) | 678.51 (24/5/96) | 4.40 (1/6/32) |
| Industrials▼ | 791.38 | 796.82 | 798.03 | 807.88 (5/6) | 702.07 (15/1) | 807.88 (5/6/96) | 3.62 (21/6/32) |
| Financial | 66.54 | 66.78 | 66.38 | 68.56 (5/3) | 58.87 (10/1) | 68.56 (5/3/96) | 8.64 (1/10/74) |
| NYSE Comp. | 355.87 | 358.03 | 358.01 | 363.74 (24/5) | 321.41 (10/1) | 363.74 (24/5/96) | 4.46 (28/4/42) |
| Amex Mkt Val | 575.63 | 581.74 | 585.14 | 614.99 (22/5) | 529.05 (10/1) | 614.99 (22/5/96) | 29.31 (9/12/72) |
| NASDAQ Comp | 1153.28 | 1172.59 | 1182.91 | 1249.14 (5/6) | 988.57 (15/1) | 1249.14 (5/6/96) | 54.87 (31/10/72) |

### RATIOS

| | Jun 21 | Jun 14 | Jun 7 | Year ago |
|---|---|---|---|---|
| Dow Jones Ind. Div. Yield | 2.17 | 2.18 | 2.16 | 2.42 |
| | Jun 26 | Jun 19 | Jun 12 | Year ago |
| S & P Ind. Div. yield | 1.87 | 1.87 | 1.87 | 2.14 |
| S & P Ind. P/E ratio | 22.29 | 22.22 | 19.85 | 18.60 |

### NEW YORK ACTIVE STOCKS

| Wednesday | Stocks traded | Close price | Change on day |
|---|---|---|---|
| Micron | 4,934,300 | 25⅝ | -⅞ |
| Kmart | 4,274,400 | 11⅜ | -⅜ |
| Ford Motor | 4,239,600 | 31¼ | -1 |
| Bay Network | 3,916,400 | 25 | -1⅜ |
| Noble Drill | 3,876,900 | 13⅞ | +⅛ |
| Fed Nat Mtg | 3,849,700 | 32½ | +1 |
| PepsiCo | 3,449,200 | 35 | — |
| Pfizer | 3,444,000 | 71½ | -2½ |
| ENSCO Intl | 3,427,500 | 32 | +1¾ |
| Tel Brasilei | 2,986,800 | 71⅝ | +1⅞ |

### TRADING ACTIVITY

● Volume (million)

| | Jun 26 | Jun 25 | Jun 24 |
|---|---|---|---|
| New York SE | 388.477 | 388.994 | 333.821 |
| Amex | 37.882 | 38.302 | 32.787 |
| NASDAQ | 616.183 | 571.912 | 513.532 |
| **NYSE** | | | |
| Issues Traded | 3,151 | 3,165 | 3,170 |
| Rises | 931 | 1,067 | 1,341 |
| Falls | 1,459 | 1,299 | 1,015 |
| Unchanged | 761 | 799 | 814 |
| New Highs | 45 | 60 | 51 |
| New Lows | 91 | 61 | 45 |

| | Open | Latest | Change | High | Low | Est. vol. | Open int. |
|---|---|---|---|---|---|---|---|
| **S&P 500** | | | | | | | |
| Sep | 668.50 | 667.20 | -1.45 | 669.16 | 666.70 | 59,545 | 189,692 |
| Dec | 674.25 | 673.20 | -1.50 | 675.00 | 672.80 | 401 | 6,273 |

| | Open | Sett price | Change | High | Low | Est. vol. | Open int. |
|---|---|---|---|---|---|---|---|
| **Nikkei 225** | | | | | | | |
| Jun | 22720.0 | 22540.0 | -170.0 | 22750.0 | 22510.0 | 15,083 | 218,477 |
| Sep | 22800.0 | 22800.0 | - | 22800.0 | 22800.0 | 10 | 4,117 |

Open Interest figures for previous day

1 Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♦ The DJ Ind. Index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ▼ Subject to official recalculation.

### TOKYO - MOST ACTIVE STOCKS: Thursday June 27, 1996

| | Stocks Traded | Closing Prices | Change on day |
|---|---|---|---|
| Mitsubishi Hvy | 12.9m | 957 | -7 |
| Hanwa | 9.0m | 415 | -20 |
| Kansai Ele | 7.4m | 1250 | +10 |
| Ishi-Har Hvy | 6.8m | 538 | +14 |
| Mitsui Fudosan | 6.8m | 1500 | +30 |
| NKK Corp | 6.7m | 333 | ... |
| Hitachi Zosen | 5.7m | 619 | -6 |
| Nissin Elec | 5.6m | 891 | +23 |
| Sumitomo Re & Dev | 4.9m | 875 | +16 |
| Kawasaki Hvy | 4.9m | 555 | -8 |

*Prices supplied by Telekurs*

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. Highs/Lows are based on data from Jan 1 1996. ‡ Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. † Priced in US $.

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4 pm close June 27

# NEW YORK STOCK EXCHANGE PRICES

- A - - B - - C - - D - - E - - F - - G - - H - - I - - J - - K - - L - - M - - N - - O - - P - Q - - R - - S -



Continued on next page

هكذا من الأصل

# NYSE PRICES

4 pm close June 27

Continued from previous page

# NASDAQ NATIONAL MARKET

4 pm close June 27

Price data supplied by Telekurs

Yearly highs and lows for NYSE reflect the period from Jan 1 1996. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

d-new yearly low. P/E price-earnings ratio. pk-sales. u-new yearly high. x-ex-dividend or ex-rights. yld-yield. z-sales in full.

4 Dealings suspended.

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# AMEX PRICES

4 pm close June 27

AMERICA

# Pressure off US high tech stocks

## Wall Street

US shares were mixed in dull midsession trade as recent weakness drew some bargain hunters to technology shares, while blue chip issnes were mostly lower, *writes Lisa Bransten in New York.*

The technology-weighted Nasdaq composite, which had fallen nearly 100 points since its record high on June 5, bounced 4.83 higher to 1,158.12 in early trading yesterday. The Pacific Stock Exchange technology index was 1.1 per cent stronger.

Meanwhile, indices of larger companies were mostly lower. At 1 pm the Dow Jones Industrial Average was off 29.92 at 5,652.78. The Standard & Poor's 500 slipped 0.86 to 663.53 and the American Stock Exchange composite was 6.33 down at 569.30. NYSE volume was 219m shares.

Trading was expected to remain thin ahead of next week's meeting of the Federal Reserve's Open Market Committee, and next Friday's release of June unemployment data.

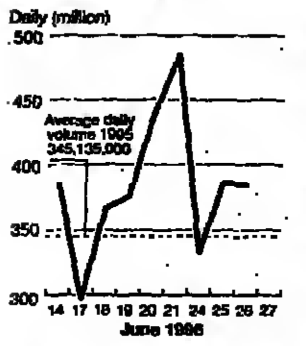
Technology sbares, whicb had slumped in the past four weeks, managed to post some gains. Iomega, a computer disk drive manufacturer which had lost 61 per cent of its value after hitting a high of $54 on May 22, climbed $4 to $21 in early trading.

Hewlett-Packard, which had lost $18¾ or 16 per cent since late May, recovered $2¾ at $97¼. Other rebounding technology shares included Intel, up $1 at $73¼. Dell Computers, $2¾ stronger at $48¾, Digital Equipment, $2¾ stronger at $44¾ and Broderbund Software, which added $1¾ at $34¾.

Elsewhere, Quaker Oats tumbled $4¼ or 11 per cent at $32¾ after announcing that it would cut its cold cereal prices by 15 per cent to match similar moves by competitors in recent weeks. Quaker also said that profits would probably be shy of expectations in the second half of this year because of another set of disappointing results from Snapple, the beverage company it bought for $1.7bn in 1994.

Ivax, the maker of generic and branded pharmaceuticals, lost $8 or 34 per cent at $25¾ after warning that second quarter earnings would fall "significantly short" of recent results.

**NYSE volume**




## Canada

Toronto extended Wednesday's losses on growing concerns about possible interest rate rises in the US, but analysts forecast that market activity would slow in coming sessions in the run-up to holidays in Canada and the US, and as the quarter came to a close.

The TSE-300 composite index fell 14.85 by noon to 5,012.80 in volume of 34.6m shares.

SR Telecom sank C$1 to C$9 after the company cut its earnings estimate for fiscal 1996.

Placer Dome appeared untouched by news that it would take a $40m charge against second quarter earnings as a result of a spillage at its 40 per cent owned Marcopper mine in the Philippines. The stock was up 5 cents at C$33.65 in moderate dealings.

Corel dropped C$1.75 to C$14.25 in brisk dealings. The software manufacturer said on Wednesday that it expected third quarter earnings per share of between 1 cent and 12 cents, compared with a second quarter profit of 1 cent.

EUROPE

# Bourses flounder after Bundesbank comments

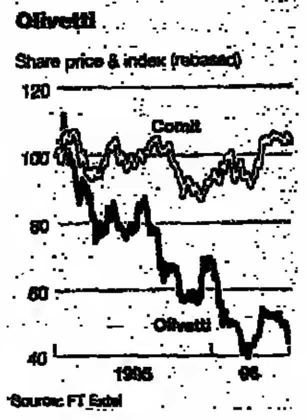
Nobody expected the Bundesbank to cut key interest rates yesterday, but professionals said that comments from Mr Hans Tietmeyer, the Buba president, had undermined lingering hopes for another reduction later this year.

FRANKFURT was faced with falls in the dollar, in bunds and in the Dow. The combination left the Dax index 20.26 lower at an Ibis-indicated 2,551.80, in turnover of DM9.3bn.

The dollar effect weakened most chemicals, Hoechst losing 85 pfgs at DM53.20; a fall in utilities, with Viag off DM6.70 at DM602.50, might have been ascribed to interest rate sensitivity. But Mr Hans-Peter Wodniok of Crédit Lyonnais in Frankfurt dismissed this argument, saying that utilities had outperformed by nearly 7 per cent this year, and that they were now simply extending the tendency to weakness in blue chips, relative to medium-capitalisation stocks.

Siemens, one of the biggest of blue chips, declined DM1.35 to DM81.15 after its finance director forecast continued price falls in its product markets. However, Mr Wodniok noted that product price falls were a common condition in industrial markets, and expected Siemens to justify earlier indications of a 20 per cent earnings growth rate when its nine-month figures come out next month.

**Olivetti**




Source: FT Extel

Meanwhile, medium-caps provided one of the worst falls: Philipp Holzmann lost DM32, or 7.2 per cent, at DM410 after warnings about profits, property provisions and the unlikelihood of a current year dividend at Wednesday's agm.

AMSTERDAM followed the Frankfurt line, and the AEX index fell 3.01 to 556.48.

Philips was weak all day after technology stocks were hit in the US on Wednesday, and closed 50 cents cheaper at Fl 54.80. Elsevier, the subject of further profit-taking, shed 40 cents to Fl 25.50.

MILAN marked Olivetti 3.4 per cent lower, demonstrating its dismay at news that the managing director was leaving Mr Carlo De Benedetti's group.

Mr Corrado Passera, who also headed the troubled information technology group's struggling personal computer division, was regarded as a key member of the team trying to restructure the company. The shares recovered from a low of L805 but were still L28.8 down on the day at L822.5.

The broad market remained disappointed at the lack of a cut in interest rates and the Comit index fell 5.08 to 656.10.

Moving against the trend, Ambroveneto picked up L79 to L4,142 on reports that Mr Passera might be moving to the bank. But Gemina, the financial holding company, dropped L25.6 to L649.6 on concerns that tomorrow's shareholders' meeting might bring negative news on results.

PARIS consoled itself with takeover rumours as the CAC-40 floundered in midsession, although it came back to close just 0.43 lower at 2,112.05 in turnover of FFr5.4bn.

Among upbeat retailers, with Promodes up another FFr44, or 3.1 per cent, to FFr1,465, Pinault-Printemps Redoute extended its gains on the week to 8.6 per cent as it rose FFr19 to FFr1,808. Mr Michael Woodcock at Williams de Broë said that there were stories that Pinault might be planning a takeover bid in the financial sector.

Schneider leapt FFr10.80 to FFr267.90. Earlier this year, the electricals group was the subject of takeover rumours naming international competitors such as ABB and Siemens. Yesterday there was talk that Siemens was buying, and that Schneider's asking price for a takeover bid was FFr370m a share.

ZURICH turned back from Wednesday's peak, responding to volatile futures on government bonds and profit-taking. The SMI index ended 20.5 down at 3,703.3.

UBS finished SFr8 weaker at SFr1,222 as it denied that a press conference was planned for today after the series of rumours that drove the share price up by 2.8 per cent on Wednesday. The bank said that, as usual, it would not comment on bourse rumours.

Among second tier gronps, Motor Columbus jumped to a high of SFr2,440 before retreating to close SFr5 higher at SFr2,390. One of Wednesday's rumours repeated long running suggestions that UBS was planning to sell its majority stake in the energy group.

Roche certificates rose SFr35 to SFr9,500 on news that it had bought out Procter & Gamble's half of a joint venture which markated a popular pain reliever.

STOCKHOLM featured another painful day for Ericsson Bs, down SKr3 to SKr138.50 after Wednesday's SKr4.50 drop, this time citing the tech stocks sell-off in New York. The Affärsvärlden General index closad 13.3 lower at 1,961.9. TEL AVIV saw Teva Pharmaceutical, down 5.6 per cent on New York's Nasdaq on Wednesday, lose 5.25 to Shk120,973 at homa as tha Mishtanim index fell 2.61 to 195.88.

LISBON was higher as investment funds rearranged portfolios for the end of the quarter. Activity was dominated by Portugal Telecom, which hit an all-time high of Es4,104 in afternoon trade.

The PSI-20 index rose 5.86 to 4,693.99 as PT closed Es70 higher at Es4,065 after its shares had opened higher in New York.

Heavy trade in Engil, the construction group, was attributed to buy recommendations from brokers and the shares rose Es8 to Es1,308.

ATHENS rose, reckoning that the socialist prime minister Mr Costas Simitis, who took over as premier from the late Mr Andreas Papandreou in January, would emerge as party leader at a party congress on Sunday. The general index closed 11.83 higher at 911.59.

BUDAPEST's Bux index index hit its second successive high, ending 47.40 higher at 3,233.44, but one broker advised caution, maintaining that low supply, rather than demand was providing the impetus.

Written and edited by William Cochrane and Michael Morgan

**FT-SE Actuaries Share Indices** — THE EUROPEAN SERIES

| Jun 27 Hourly changes | Open | 10.30 | 11.00 | 12.00 | 13.00 | 14.00 | 15.00 | Close |
|---|---|---|---|---|---|---|---|---|
| FT-SE Eurotrack 100 | 1697.02 | 1697.35 | 1697.76 | 1697.06 | 1695.15 | 1693.56 | 1693.45 | 1693.02 |
| FT-SE Eurotrack 200 | 1722.77 | 1722.08 | 1722.34 | 1719.84 | 1718.26 | 1714.38 | 1716.46 | 1716.56 |

| | Jun 26 | Jun 25 | Jun 24 | Jun 21 | Jun 20 |
|---|---|---|---|---|---|
| FT-SE Eurotrack 100 | 1699.16 | 1695.42 | 1690.87 | 1695.00 | 1684.32 |
| FT-SE Eurotrack 200 | 1723.45 | 1721.65 | 1722.72 | 1718.64 | 1720.03 |

Base value 1000 (26/10/90); High/day: 100 - 1698.23; 200 - 1723.39 Low/day: 100 - 1692.58 200 - 1714.10 † Partial.

ASIA PACIFIC

# China talks hope pushes Taipei up 2.4% to new high

Local media qnoted Jiang Zemin, China's president and Communist party chief, as saying that Beijing and Taipei could hold talks on ending hostility across the Taiwan strait. TAIPEI shot up by 2.45 per cent, to a 14-month high.

The weighted index put on 156.33 to end at its intra-day high of 6,537.20 and turnover nearly doubled to an active T$83.51bn. Companies with investment projects in China, and shipping stocks, rose sharply. President Enterprise, Taiwan's top China investor, surged T$3 or 6.45 per cent to T$49.5. Speculation on possible direct shipping links between China and Taiwan took Evergreen Marine up T$3.5, or 6.9 per cent, to T$54.5.

Units of the petrochemical giant Formosa Group rose a day after Taiwan said it would allow private oil imports in a broad oil industry liberalisation. Formosa Plastics climbed T$4, or 6.4 per cent, to T$66 and Formosa Chemical Fibre by T$2.2, or 6.7 per cent, to T$34.9.

## Tokyo

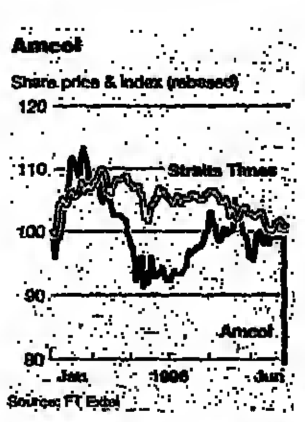
Wednesday's decline on Wall Street depressed investors, and the Nikkei average fell by 0.7 per cent, led by steel and car stocks, *writes Emiko Terazono in Tokyo.*

The 225 index closed 165.19 lower at 22,501.61 after moving between 22,439.41 and 22,657.36. Domestic institutional investors moved to sell cyclicals, the carmakers, steels, electricals and shipbuilders which had led the recent rally.

Volume totalled 416m shares, against 451m. Overseas investors were inactive, coming towards the close of the second quarter, and the decline in US share prices also affected foreigners' activity. Individual investors traded speculative issues, while arbitrage selling weighed on share prices towards the end of the session.

The Topix index of all first section stocks slipped 9.92 to 1,712.21 and the Nikkei 300 by 1.91 to 317.79. Declines outnumbered advances by 638 to 390, with 189 issues unchanged.

**Amcol**




Source: FT Extel

In London the ISE/Nikkei 50 index gained 3.53 at 1,528.48.

In spite of the domestic profit-taking, traders said bargain hunting limited the risks of a sharp decline in share prices. Arbitrage related buying was also expected to support equities at lower levels.

In shipbuilders and steels, Mitsubishi Heavy Industries, the most active issue of the day, retreated Y7 to Y957, while Hitachi Zosen declined Y6 to Y618, Nippon Steel Y4 to Y376 and Kawasaki Steel Y2 to Y398.

Sumitomo Corporation, the trading company which faces $1.8bn in copper trading losses, fell Y5 to Y961. Investors were still unwilling to believe that this figure was the limit of Sumitomo's risk, and were disappointed by the lack of new information at yesterday's annual shareholders' meeting.

Real estate companies were higher on active buying by dealers. Mitsui Fudosan rose Y30 to Y1,500 and Sumitomo Realty gained Y18 to Y875.

High-technology shares were easier. Sony receded Y50 to Y7,200 and Tokyo Electron Y100 to Y3,180. Among carmakers, Honda Motor dipped Y50 to Y2,880 and Suzuki Motor Y40 to Y1,420.

Speculative favourites were mixed. Hanwa, the steel trader, fell Y20 to Y415; but Nissin Electric jumped Y23 to Y891 and Keisei Electric Railway added Y10 at Y1,250.

In Osaka, the OSE average finished 32.24 off at 23,763.19 in volume of 44.7m shares.

## Roundup

A 19.7 per cent fall in Amcol provided the main feature of SINGAPORE trade on news that the government's white-collar crime unit had started investigations into various affairs of the trading company.

Shares in the company, the subject of a fierce takeover battle between two shareholders, had been suspended since June 18. They returned to trade with a 76-cent tumble to M$3.10.

The company announced the investigation late on Wednesday, along with the appointment of three new independent directors to a five-member board. Amcol said the investigation followed concerns over the affairs of four subsidiaries and associated companies.

Steady demand for blue chips, in otherwise quiet trade, left the Straits Times Industrial index up 3.40 at 2,288.36.

KUALA LUMPUR edged higher, although many investors held back on worries over the upward trend of Malaysian interest rates, after Tuesday's comments from Mr Anwar Ibrahim, the deputy prime minister, who said that inflation remained a threat.

The composite index picked up 4.85 to 1,135.62, after Wednesday's 16.11 fall.

Seal lost M$1.35 to M$7.20, having jumped M$1.85 on Wednesday on talk that a major road project was about to be given the go-ahead.

The newly listed Inti Universal closed at M$9.05, against an offer price of M$3.80.

HONG KONG edged lower in lethargic trade which left the Hang Seng index down 57.47 at 11,002.45. Turnover came to HK$3.8bn. Dickson Concepts closed HK$1.50, or 16.5 per cent, up at a high for the day of HK$10.60, boosted by above forecast annual profits and its purchase this week of a Hong Kong department store.

SEOUL saw a brief midday rebound run out of steam, after reports that the current account deficit in the year to May had reached an all-time high. The composite index lost 3.58 at 820.05, a third consecutive low for the year and its lowest close since the 806.86 recorded on December 3, 1993.

BOMBAY's blue chips rallied at the close, helped by short-covering. The BSE 30-share index ended 56.36 higher at 3,849.11. The Unit Trust of India, the country's largest mutual fund, was reported to have made selective purchases during the day, which helped the recovery.

BANGKOK went bargain hunting and the SET index rose 10.75 to 1,237.10 in thin turnover of Bt4.6bn. KARACHI saw blue chip buying by state financial institutions before the close, which pushed the KSE 100 index up by 9.50 to 1,716.86. MANILA shook off a sluggish start as investors positioned for today's listing of Empire East, the property developer. The composite index moved up 16.14 to 3,256.53.

# São Paulo turns down

São Paulo ran into profit-taking after Wednesday's 2.4 per cent rise which reflected optimism over the country's privatisation process.

The Bovespa index was 677.36, or 1.1 per cent, lower in midsession trade at 61,594 ahead of yesterday's meeting of the National Privatisation Council, and Telebras slipped 1.2 per cent to R$71.30.

BUENOS AIRES pulled back from Wednesday's high for the year in morning trade which left the Merval index 1.07 weaker by midsession at 616.48.

However, some analysts forecast that investors would soon favour equities over bonds, which had outperformed stocks recently on the back of the Brady debt surge.

MEXICO CITY was higher on demand for Cemex, which said that it had arranged a syndicated loan worth $850m.

The IPC index was 8.02 points up at 3,185.93 as Cemex A shares rose 4.7 per cent.

# S African golds take tumble

A sbarp early fall in the bullion price left Johannesburg's gold shares lower, but industrials were firm on the brightening interest rate environment.

The overall index shed 3.4 to 6,910.5, industrials picked np 9.9 to 8,182.7 and golds lost 28.5 at 1,762.6.

One broker noted that investors were selective in meting ont punishment within tbe golds sector, with some stocks bearing the full brunt while others escaped relatively unharmed.

Vaal Reefs dropped R8.50 to R363.50, Western Deep Levels shed R3.25 to R164.00 and Free State fell R1.25 to R42.50.

Amalgamated Banks of South Africa, which began this week's rate-cutting battle, gained 20 cents at R24.40, First National rose 30 cents to R30.90 and Nedcor climbed 75 cents to R66.25.

Elsewbere, Sasol, the oil group, fell 45 cents to R46.95.

## FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FT-SE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The indices are compiled by FT-SE International and Goldman Sachs in conjunction with the Faculty of Actuaries and the Institute of Actuaries. NatWest Securities Ltd. was a co-founder of the indices.

| NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock | WEDNESDAY JUNE 26 1996 US Dollar Index | Day's Change % | Pound Sterling Index | Yen Index | DM Index | Local Currency Index | Local % chg on day | Gross Div. Yield | TUESDAY JUNE 25 1996 US Dollar Index | Pound Sterling Index | Yen Index | DM Index | Local Currency Index | DOLLAR INDEX 52 week High | 52 week Low | Year ago (approx) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Australia (79) | 203.53 | -0.1 | 195.62 | 140.90 | 161.76 | 171.14 | -0.1 | 4.31 | 203.81 | 196.10 | 140.53 | 162.35 | 171.36 | 212.15 | 163.30 | 168.59 |
| Austria (25) | 186.08 | -0.1 | 178.85 | 128.82 | 147.88 | 147.82 | -0.3 | 1.82 | 186.15 | 179.13 | 128.37 | 148.29 | 148.23 | 198.96 | 166.11 | 195.89 |
| Belgium (27) | 208.47 | 0.1 | 200.37 | 144.32 | 165.68 | 151.68 | -0.1 | 4.12 | 208.24 | 200.37 | 143.59 | 165.88 | 161.91 | 215.81 | 188.06 | 193.83 |
| Brazil (28) | 181.89 | 1.9 | 174.83 | 125.92 | 144.56 | 338.15 | 2.0 | 1.97 | 178.53 | 171.76 | 123.10 | 142.21 | 329.54 | 181.89 | 123.97 | 129.33 |
| Canada (96) | 159.86 | -0.9 | 153.65 | 110.67 | 127.05 | 157.48 | -0.8 | 2.42 | 151.29 | 155.20 | 111.22 | 128.48 | 158.77 | 165.12 | 134.14 | 142.46 |
| Denmark (30) | 300.95 | 0.4 | 289.27 | 208.35 | 239.19 | 241.06 | 0.2 | 1.67 | 299.84 | 288.51 | 206.75 | 238.84 | 240.59 | 305.17 | 276.06 | 276.05 |
| Finland (23) | 191.68 | 0.5 | 184.43 | 132.84 | 152.50 | 186.73 | 0.2 | 2.88 | 190.59 | 183.77 | 131.70 | 152.14 | 186.35 | 278.11 | 171.73 | 241.33 |
| France (97) | 195.71 | 0.2 | 188.11 | 135.49 | 155.54 | 158.77 | -0.2 | 3.02 | 195.37 | 187.99 | 134.72 | 155.63 | 159.10 | 198.39 | 167.70 | 183.25 |
| Germany (60) | 171.99 | 0.4 | 165.31 | 119.07 | 136.69 | 136.69 | 0.1 | 1.82 | 171.34 | 164.86 | 118.14 | 136.48 | 136.48 | 174.38 | 155.66 | 159.53 |
| Hong Kong (59) | 432.66 | 0.7 | 415.85 | 299.52 | 343.85 | 429.86 | 0.7 | 3.32 | 429.71 | 413.47 | 296.30 | 342.30 | 426.83 | 451.19 | 348.81 | 359.84 |
| Ireland (16) | 283.98 | -0.6 | 272.95 | 196.60 | 225.70 | 252.37 | -0.8 | 3.40 | 285.69 | 274.69 | 197.00 | 227.57 | 254.53 | 290.82 | 233.90 | 235.26 |
| Italy (59) | 82.16 | -0.8 | 78.97 | 56.88 | 65.30 | 94.19 | -0.8 | 2.34 | 82.84 | 79.71 | 57.12 | 65.99 | 94.94 | 84.53 | 67.22 | 75.57 |
| Japan (481) | 157.87 | 0.0 | 151.73 | 109.29 | 125.46 | 109.29 | 0.4 | 0.70 | 157.93 | 151.96 | 108.90 | 125.81 | 108.90 | 164.66 | 137.76 | 147.44 |
| Malaysia (107) | 555.78 | -1.1 | 534.19 | 384.76 | 441.70 | 534.33 | -1.2 | 1.68 | 562.15 | 540.90 | 387.62 | 447.79 | 541.04 | 585.09 | 425.77 | 544.62 |
| Mexico (18) | 1217.77 | 0.8 | 1170.47 | 843.05 | 967.82 | 10128.97 | 0.6 | 1.31 | 1210.16 | 1164.41 | 834.45 | 963.97 | 10068.29 | 1325.65 | 791.99 | 976.40 |
| Netherland (19) | 295.82 | 0.7 | 284.33 | 204.79 | 235.10 | 231.38 | 0.5 | 3.11 | 293.79 | 282.68 | 202.58 | 234.02 | 230.25 | 299.66 | 245.79 | 251.34 |
| New Zealand (15) | 79.83 | 0.5 | 76.73 | 55.27 | 63.45 | 62.16 | 0.0 | 4.37 | 79.45 | 76.45 | 54.78 | 63.29 | 62.18 | 86.49 | 75.84 | 79.98 |
| Norway (35) | 250.32 | 0.9 | 240.60 | 173.30 | 198.95 | 221.86 | 0.7 | 2.05 | 248.19 | 238.81 | 171.14 | 197.70 | 220.32 | 256.94 | 222.24 | 229.50 |
| Singapore (44) | 419.57 | -0.6 | 403.28 | 290.47 | 333.46 | 272.98 | -0.5 | 1.38 | 422.00 | 406.05 | 290.99 | 336.15 | 274.30 | 465.21 | 355.81 | 382.63 |
| South Africa (45) | 366.43 | 0.8 | 352.19 | 253.67 | 291.22 | 347.23 | 0.4 | 2.08 | 363.44 | 349.70 | 250.61 | 289.51 | 345.75 | 437.76 | 339.37 | 349.87 |
| Spain (37) | 182.72 | 0.0 | 175.62 | 126.50 | 145.22 | 177.91 | -0.3 | 3.21 | 182.80 | 175.89 | 126.05 | 145.61 | 178.45 | 182.99 | 146.15 | 148.24 |
| Sweden (48) | 357.01 | 0.0 | 343.15 | 247.16 | 283.74 | 349.41 | -0.2 | 2.43 | 356.89 | 343.39 | 246.08 | 284.28 | 350.24 | 380.77 | 268.46 | 269.04 |
| Switzerland (38) | 241.85 | 1.0 | 232.45 | 167.43 | 192.21 | 188.64 | 0.7 | 1.67 | 239.38 | 230.33 | 165.06 | 190.68 | 187.62 | 252.34 | 191.24 | 201.54 |
| Thailand (46) | 163.42 | 0.3 | 157.07 | 113.13 | 129.88 | 160.94 | 0.4 | 2.05 | 162.86 | 156.70 | 112.30 | 129.73 | 160.29 | 193.95 | 148.74 | 169.92 |
| United Kingdom (200) | 230.88 | 0.5 | 221.91 | 159.84 | 183.49 | 221.91 | 0.4 | 4.30 | 229.78 | 221.10 | 158.44 | 183.04 | 221.10 | 237.43 | 210.29 | 212.49 |
| USA (627) | 270.07 | -0.7 | 259.58 | 186.97 | 214.64 | 270.07 | -0.7 | 2.19 | 271.87 | 261.59 | 187.46 | 216.56 | 271.87 | 276.47 | 221.66 | 222.38 |
| Americas (771) | 246.79 | -0.6 | 237.20 | 170.85 | 196.13 | 207.46 | -0.6 | 2.19 | 248.36 | 238.97 | 171.25 | 197.83 | 208.77 | 252.43 | 203.00 | 203.51 |
| Europe (714) | 210.03 | 0.4 | 201.87 | 145.40 | 166.92 | 184.40 | 0.2 | 3.06 | 209.24 | 201.33 | 144.28 | 166.68 | 184.08 | 211.56 | 187.21 | 188.94 |
| Nordic (136) | 304.39 | 0.2 | 292.57 | 210.72 | 241.91 | 263.11 | 0.0 | 2.33 | 303.68 | 292.20 | 209.40 | 241.90 | 263.14 | 306.61 | 256.79 | 261.52 |
| Pacific Basin (831) | 170.48 | 0.0 | 163.86 | 118.02 | 135.49 | 120.13 | 0.3 | 1.15 | 170.56 | 164.11 | 117.60 | 135.86 | 119.80 | 177.01 | 148.86 | 157.51 |
| Euro-Pacific (1545) | 186.95 | 0.1 | 179.59 | 129.36 | 148.50 | 144.54 | 0.2 | 2.05 | 186.56 | 179.51 | 128.64 | 148.61 | 144.21 | 190.57 | 166.51 | 170.51 |
| North America (723) | 263.26 | -0.7 | 253.03 | 182.25 | 209.22 | 262.54 | -0.7 | 2.20 | 265.03 | 255.01 | 182.75 | 211.11 | 264.30 | 269.52 | 216.79 | 217.43 |
| Europe Ex. UK (514) | 193.19 | 0.3 | 185.69 | 133.74 | 153.53 | 161.06 | 0.1 | 2.46 | 192.59 | 185.29 | 132.78 | 153.39 | 160.98 | 193.57 | 169.65 | 171.62 |
| Pacific Ex. Japan (350) | 288.62 | 0.0 | 277.41 | 199.81 | 229.38 | 249.11 | -0.1 | 3.06 | 288.74 | 277.82 | 199.10 | 230.00 | 249.28 | 296.66 | 243.58 | 254.00 |
| World Ex. US (1734) | 188.10 | 0.2 | 180.79 | 130.22 | 149.48 | 148.98 | 0.2 | 2.05 | 187.61 | 180.71 | 129.50 | 149.60 | 148.65 | 191.55 | 167.36 | 171.27 |
| World Ex. UK (2161) | 211.52 | -0.3 | 203.31 | 146.43 | 168.11 | 178.76 | -0.2 | 1.91 | 212.07 | 204.05 | 146.23 | 168.93 | 180.15 | 213.05 | 181.85 | 184.27 |
| World Ex. Japan (1880) | 244.17 | -0.2 | 234.68 | 169.03 | 194.05 | 231.41 | -0.3 | 2.64 | 244.75 | 235.50 | 168.77 | 194.96 | 232.13 | 247.55 | 208.46 | 209.20 |
| The World Index (2361) | 213.31 | -0.2 | 205.03 | 147.67 | 169.53 | 183.83 | -0.2 | 2.11 | 213.73 | 205.65 | 147.37 | 170.25 | 184.12 | 214.70 | 184.49 | 186.75 |


Latest prices were unavailable for this edition.

# One Nation's Achievement

... Taiwan was primarily an agricultural society. Today, it is an industrial dynamo, the fourteenth ... nation in the world. Its success lies not just in hard work but in the ability of Taiwan's ...ufacturers to create innovative designs, together with remarkable production efficiencies, that give their products added value. We describe this benefit as Innovalue. It was displayed dramatically in the recent National Awards of Excellence.

This year, 30 products out of 216 that received the Symbol of Excellence also qualified for the distinguished National Award. Seven of these, shown below, also won the highest honor the nation can bestow, the Gold Award.


## aiwan Celebration of Excellence '96

As Mr Copper he was revered, but his fall from grace was swift. **FT reporters** track the career of Yasuo Hamanaka

# The trader who beat the world's markets – and then lost it all


*"This copper mine, we revered it as a god and mined it for many generations. We are truly humble before it."* Written by Tomonari Sumitomo, 16th head of the Sumitomo family, at the closure in 1973 of the Besshi copper mine in Shikoku after 282 years.

The plaque commemorating the death of what was Japan's richest copper mine tells of the struggles facing an ambitious but resource poor country. The Japanese modernisation drive, begun in 1868 with the Meiji Restoration, has also been a sometimes ruthless quest to secure a stable supply of necessary raw materials, of oil, of iron ore and of copper.

In oil, the pre-eminent group is Mitsubishi, which routinely presides over negotiations with Middle East producers. In iron ore, Nippon Steel sets the standards. In copper, the representative company is Sumitomo Corporation, and at Sumitomo the dominant figure for a decade has been Yasuo Hamanaka, the man who moved the market.

Hamanaka, "Mr Copper", has towered over trading on the London Metal Exchange, which sets the international benchmark price for the metal. He performed brilliantly as the point man for Japanese copper interests, steadying prices in the face of recession, earning Sumitomo profits from futures trading and establishing close links with China, which makes commodity markets twitch with mere rumours of its presence.

But Hamanaka began to meet his match in the closing months of last year. Hedge funds calculated that the price of copper was too high and bet against Hamanaka and his huge board of copper, the stash in LME warehouses in London, Singapore and Long Beach, California, central to his price strategy.

And then China turned against him, offloading copper and encouraging the hedge funds, which became even more convinced that the red metal was overpriced. Every sell order increased the pressure on Hamanaka to cover himself with a buy order, in take ever larger risks as the guardian of the price.

Bets of breathtaking size were placed against him. Hamanaka saw off George Soros and his Quantum fund in March, and he held out longer than many traders believed possible. But he began to buckle in May. Chinese traders, sensing the end of an era, sold again. Other hedge funds stepped up their selling, and the copper price collapsed – one aggressive investor claims to have made about $1bn in a couple of weeks at Sumitomo's expense.

On June 13, Sumitomo announced the dismissal of Hamanaka as a "rogue trader", whose unauthorised trades were said to have cost the company $1.8bn. The losses this year are probably much higher and the story is certainly more complicated than Sumitomo is prepared to reveal.

Financial Times correspondents have spoken to copper traders, Japanese executives, UK government agencies, speculators, Chinese commodity dealers and an alleged Chilean felon, all of whom have played roles in the events of the past decade when Sumitomo made the largest copper trades in history and Hamanaka was at the helm.

* * * *

First impressions of Yasuo Hamanaka suggested he could not possibly be Mr Copper. His English is formal, flavoured only by a faint Japanese accent. There is no obvious charisma.

In public appearances there were seldom self-flattering allusions to his market influence or achievements. He was anxious to please. In an interview with the Financial Times in 1991 he gave a polite assessment of his role: "It is not our intention to squeeze or manipulate the market, but we have to keep our customers happy and, at the same time, make money."

But other associates tell of a different side to his personality. One remembers Hamanaka at a LME dinner, shouting orders down the telephone to buy huge quantities of copper on the New York commodity exchange just before the close. The intention was apparently to impress the gathered clan.

Hamanaka joined Sumitomo in 1970, after graduating from the law department of Seikei University, respectable but not in the class of Tokyo or Waseda universities, the breeding grounds for the bureaucratic and corporate elite. For three years he served in the credit division, screening companies for their suitability as Sumitomo clients. His first and last job rotation was to non-ferrous metals in 1973, and the copper ingot division.

The intractable problem was that the mining, smelting and transportation of copper was a low margin business and Japanese industrial customers were demanding ever deeper discounts. As an official at Mitsubishi Materials explains: "Actual trading doesn't make much money." Hamanaka's appointment as head of copper futures in 1986 coincided with Sumitomo's increasing frustration at the inability to profit from physical metal, but he led the company to a motherlode – the LME and derivatives.

The shift in emphasis at Sumitomo coincided with the fashion among Japanese companies for *zaitech*, which was meant to be the use of surplus cash to generate income in the securities markets. What the word came to mean was speculation on a grand scale, incomprehensible to outsiders who characterised corporate Japan as conservative and risk averse.

In 1984 the finance ministry had eased restrictions on non-financial companies' activities in overseas financial markets, while in Tokyo the relentless rise of the Nikkei stock index encouraged cosmetics companies and carmakers to try their luck. Akio Morita, the Sony founder, deplored the "unhealthy notion" that money management was "more profitable than investments in real goods".

But within two years of Hamanaka's promotion, Sumitomo's non-ferrous division was profitable and he had received the company president's award. The company devoted two pages of its 1991 annual report to praise his exploits. He explained then that "the pre-eminent position of Sumitomo Corporation in copper trading is attributable to expertise in risk management".

The report tells of homegrown software that has helped to solve the "puzzle" of copper and its market behaviour: "What distinguishes Sumitomo from other traders is an ability to ensure actual delivery to customers. But that service cannot be provided without assuming some risk. Where should the inventory of copper be held? When should it be moved? To where?"

The focus on physical copper was telling. Questions were already being asked by London traders about Sumitomo's control over the majority of the LME's London warehouse stocks and its use of this control to influence derivatives prices. They complained of the Sumitomo "squeeze", the reluctance of the company to release copper to allow supply contracts to be met. In late November 1991 David King, the LME chief executive, intervened in the market, asking Sumitomo to release metal and ease its grip.

At the time, Hamanaka admitted in an FT interview that Japanese smelting companies, of which the largest are Nippon Mining and Metals, Mitsubishi Materials and Sumitomo Metal Mining, were pleased by the high price for spot or physical metal "because they have a lot of selling to do in December". Copper exports were a welcome source of profits for Japanese trading houses and smelters in 1991, when the economy began its long slowdown after the extraordinary earnings of the "bubble era".

The period was the first instance of Sumitomo-inspired "backwardation", when the spot price is higher than the price for future delivery. The market is thought to be "normal" when the spot price is lower because storage and financing costs must be paid while the metal is awaiting future delivery. One reason cited by Hamanaka for this strange turn of prices was a sudden large Sumitomo order from China. "We cannot neglect them [the customers]," he explained.

Evidence that Hamanaka was prepared to use unorthodox methods came in a October 1991 request to a UK trader, David Threlkeld, to provide an invoice for about $225m in fictitious copper orders for "our company's internal accounting purpose only". The LME studied the invoice request, asked Sumitomo for an explanation and was told by a senior executive that the document was required for taxation reasons in Japan.

Two years later, after a steep fall in copper prices, there was another bout of backwardation at the LME and more complaints about a Sumitomo "squeeze" to push the price higher. In August 1993 a London trader lamented to the FT that "if it were October today, it [Sumitomo] would control all the LME stocks".

To perform these remarkable feats, Sumitomo needed the assistance of skilful brokers. They were found at Winchester Commodities Group, based in the English provincial town of the same name, and its broking arm, Winchester Trading, structured so that it could deal in copper without becoming a member of the LME.

At the core of Winchester are Charlie "Copper Fingers" Vincent and Ashley Levett, still joint owners although both are now resident, for tax reasons, in Monaco. They are still active in British life. Levett has just invested £2.5m in Richmond rugby club and Vincent completed a run across the Sahara this year to raise money for his favourite UK charities.

The Sumitomo connection made Winchester. It allowed the company to hire top-shelf derivatives traders and gave it access to the impressive Sumitomo credit line at Crédit Lyonnais Rouse, an arm of the state-owned French bank Crédit Lyonnais. Hamanaka, or Sumitomo, was believed by fellow traders to have a London credit line of about $3.5bn, but there was virtually no limit on the borrowing by the core company of a Japanese *keiretsu*.

Hamanaka showed how this corporate influence could turn the copper market in 1993. In May that year, the price began a steep fall and ended 25 per cent below the January level. Chinese selling was blamed by traders for a drop in price that proved to be convenient, as, a month later, Sumitomo and Winchester combined in the world's largest copper trade.

Sumitomo, whose copper consumption had been roughly 45,000 tonnes per month, arranged via Winchester to buy 1m tonnes at $2,800 per tonne for delivery over three years. Those familiar with the deal have calculated that had Sumitomo booked the trade through the LME, the margin requirements at the time would have meant Sumitomo stumping up $42m in deposit payments.

The size of the order was a clear message from Sumitomo and helped to push the LME price from a 5½-year low of $1,710 to above $2,000 a tonne by early July. On July 29 the LME issued a first public warning about the copper market squeeze and said it would "take all necessary steps" to make sure the market remained orderly.

Sumitomo denied accusations that it was manipulating the market and while Hamanaka conceded that demand appeared weak, he again pointed to China as a buyer: "I hear the Chinese will continue to take more copper to stockpile." In that year of frail international demand and still falling profits, Japanese companies increased their exports of refined copper by almost 61 per cent.

But the big money was being made in derivatives trading. Hamanaka was placing bets that the price would reach a certain level and then doing his utmost to push it there, triggering profits from his futures positions. A Chilean copper executive observes that "he must have been making huge profits". A Singapore broker says he "made a fortune for Sumitomo".

High prices and a volatile market suited many on the LME. Brokers on percentages increased their earnings, speculators punted on the movements, and international suppliers of copper ore could not complain.

Among the companies to be tempted by the LME was Codelco, the state-owned Chilean company and the world's biggest copper producer. Unlike Sumitomo, its traders were *unable to pick the turns* in copper prices with certainty and there was the added disadvantage of an allegedly corrupt chief trader, Juan Pablo Dávila.

Dávila is now in preventive detention at Capuchinos prison in Santiago, where security guards frisk visitors for mobile phones and cheque books. For six months he has been awaiting the outcome of an investigation into charges of tax evasion, defrauding the state, giving misleading evidence and abusing his role as a public employee. He denies the charges.

Having had time to contemplate the copper market and Hamanaka, Dávila regards him as a "man of great influence", but "not a single operator – he had a team". He, like many other traders, insists that "Sumitomo's positions were discussed quite openly" in London, New York, and with Sumitomo officials.

Dávila tells of one incident which highlighted the power of Hamanaka during an unexpected spate of buying by Sumitomo and Chinese companies in January 1994.

"In the first week in January, all the studies, all the operators I talked to, all Codelco's internal information showed that the price would go down. I had a net short open position of 450,000 tonnes – it was a spot on the tablecloth beside what Sumitomo manages.

"Sumitomo had been very quiet *for a couple of months, then* suddenly they appeared, buying. There was unusual activity from the Chinese as well – they came to buy even though they already had losses... their total position exceeded their consumption, so why did they come in to buy more?" He says the purchases undermined his strategy and he was forced in close the positions and take a $90m loss.

The main Chinese connection is China National Non-Ferrous Metals Import and Export Corporation (Cniec), which dominates physical copper trading on the mainland. It is overseen by the China National Non-ferrous Metals Industry Corporation, headed by Wu Jianchang, Deng Xiaoping's favourite son-in-law (the Chinese leader has three daughters). There is also a network of provincial trading corporations and a couple of other Hong Kong-based importers.

Tracking trades by the Chinese is not simple and a senior Chinese copper trader admits that even he is not sure of all the business done by the various state companies. In derivatives trading, the Beijing-based China International Trust and Investment Corporation (Citic) is a serious player and suffered serious losses in 1993, at least $40m, which it blamed on rogue traders in its Shanghai subsidiary.

After that episode, Citic tightened its lines of command and joined Sumitomo as a Winchester client. When Sumitomo shifted much of its business in 1995 to another relatively small and newly formed trader, Global Metals and Minerals based in New York, Citic also shifted some its business.

"Mystery" buying by Chinese companies has often been cited by LME traders as the cause of sudden jumps in the copper price. To exercise control over the market, Sumitomo had to cultivate the Chinese. The links go back a long way – in 1978, the year Deng launched economic reforms, Sumitomo, Sumitomo Metal Mining and Sumitomo Heavy Industries won a contract for the construction of a copper smelter in Jiangxi province.

In October last year China's largest joint venture copper project was established in Anhui, in the east, between the Cniec group and Sumitomo Metal Mining, Sumitomo and Itochu, another Japanese trading house. The aim is to produce 150,000-200,000 tonnes a year for Chinese, Japanese and east Asian markets.

But traders in Tokyo and Singapore believe the courting of China *went further*. They say that Sumitomo was prepared to give large discounts in secure a hold on the physical copper trade. It is widely believed, but not confirmed, that Sumitomo took over loss-making Chinese positions on the LME. Hamanaka had to have a fairly clear idea of Chinese buying patterns and, if tips had been passed on about Sumitomo's speculative intentions, it would be in China's interest to play along.

But Beijing was never going to be an easy ally. There were signs of strain in the relationship last May. China was reported in the trade press to be ready to sell 200,000 tonnes from its stockpile – the news was startling. Instead of a buyer, China was a seller and calculations about demand/supply had to be redone. Hamanaka said he could not understand China's motives, but Sumitomo moved quickly to take control of the excess metal.

Traders say that China offloaded only 80,000 tonnes, which was taken over by Sumitomo. The metal was apparently placed in the LME's Long Beach warehouse where it stayed out of circulation for about nine months. By trading then, the Chinese were capitalising on another phase of "backwardation", when there were tempting profits to be made from refined copper.

Others had begun to notice that the copper price appeared unnaturally high. By August, several US hedge funds were confident the price was headed down. At more than $3,000 a tonne the price was well above average production costs of about $1,400 and had encouraged the commissioning of new mines and extra smelting capacity.

Meanwhile, a new technique called solvent extraction-electro winning was changing the economics of the industry. This technique does away with the need for smelting some copper ores and enables *refined copper to be produced more* cheaply. Not all ore is suitable but the advent of sx-ew has forced conventional copper producers to drive down costs.

With that background in mind, the hedge funds stepped into the ring. They began cautiously, selling short a little here and there, but the tonnages soon accumulated. As usual Sumitomo was on the other end of these trades because they were likely to weaken the copper price, but Hamanaka apparently could not identify the source of the selling. The funds found that 100,000 tonnes sold short did not move the market. They tried 200,000 tonnes. Eventually they threw 800,000 tonnes at Hamanaka – equivalent to 75 per cent of Japan's annual production of refined copper – and still the price did not move.

George Soros's Quantum fund gave up the chase in March. This left the Tiger fund of Julian Robertson still in the fray. But the price held relatively steady until May 17 when rumours circulated in the market that Hamanaka had been moved from his position as senior copper trader.

Sumitomo says Hamanaka was moved from day-to-day trading following inquiries from UK regulators who had drawn the company's attention to trading patterns at the end of last year, when he was fending off the hedge funds. In defending the copper price from intense attack, Hamanaka could have exposed Sumitomo to extraordinary risk – the company admitted this week that it was unsure how much physical copper had been accumulated by its chief trader.

From the moment of Hamanaka's transfer, traders say, the tide was turned. Herbie Black, who runs a big scrap business, American Iron & Metals, in Montreal and is a big player in *metal markets, made* the running. His breakthrough, and Sumitomo's losses, can be traced to one deal – a selling short of 50,000 tonnes late on the afternoon of Friday May 17. Black was expecting the customary counter-punch from Sumitomo, but with Hamanaka apparently not at his post, the sale was unchallenged and the rout began.

Other short sellers joined in and the pressure intensified on the next trading day, Monday – in two days the copper price had dropped 12 per cent. The price continued to drift downwards and, by early June, reached the lowest level for two years.

The Chinese had also been big sellers. A senior official says that, *before the collapse, China* sold 300,000 tonnes in the expectation that the price would fall sharply. Some of this apparently came from the state stockpile, though it is thought unlikely that the sales were just of physical copper.

On June 5 Hamanaka is said by Sumitomo to have owned up to his losses and was fired. Although this was not announced by Sumitomo until June 13, the market's intelligence network proved efficient. On June 6, in two hours of hectic trading, the copper price dropped by an unprecedented 15 per cent.

Dealers increased the "spread", or difference between the prices at which they were willing to buy or sell, to the unheard of level of $50 a tonne in an attempt to reduce the frantic activity. The LME board took action to calm the market by doubling to $400 a tonne the initial cash deposit needed by anyone buying or selling copper.

In six trading days, the copper price had fallen $800 a tonne and a decade of Sumitomo stranglehold had been broken. Traders in Singapore and London familiar with its positions say the company suffered losses of about *$4bn – Sumitomo* insists the figure is too high, but admits that it is still counting the cost of losing its battle with the market.

* * * *

The fall of Hamanaka has changed the nature of the copper market. For the Chinese, having lost the Hamanaka connection there is money to be made in driving the price as low as possible and picking up savings on its imports of ore and refined copper. A senior official confesses he is looking for a fall of another 25 per cent.

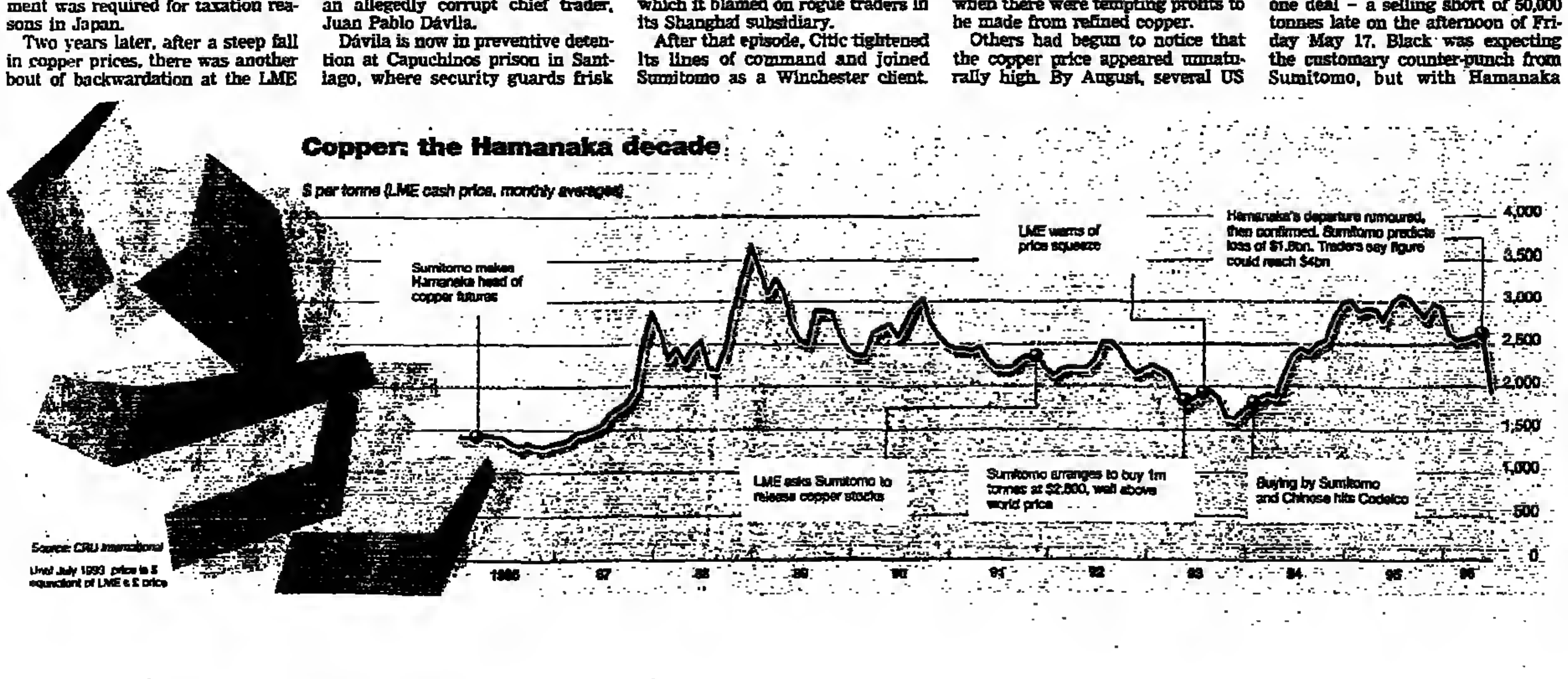
Copper companies around the *world are having to return to* the arithmetic of projects planned during the reign of Hamanaka. Sumitomo itself has just completed negotiations for a share of a new mine in Indonesia. And the Chilean government has warned that its budget calculations will have in be redone.

The formal investigations continue. Officials from the Securities and Investments Board, which regulates the LME, the UK Serious Fraud Office and the US regulator, the Commodity *Futures* Trading Commission, are trawling in Tokyo. In the US, the FBI has begun inquiries, while Japanese authorities, including the ministry of international trade and industry (Miti), which *oversees* Sumitomo, insist no law has been broken and no charges need be laid.

And Yasuo Hamanaka? He has lost his job, his identity and his honour – Mr Copper has gone underground.

*Reporting by Emiko Terazono in Tokyo, James Kynge in Singapore, Tony Walker in Beijing, John Ridding in Hong Kong, Laurie Morse in Chicago, Imogen Mark in Santiago, and Norma Cohen, Nicholas Denton, Kenneth Gooding, Clay Harris and Robert Thomson in London*

**Copper: the Hamanaka decade**




Source: CRU International

Until July 1993 price is $ equivalent of LME £ price

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# Partnership laws to be reformed

By Jim Kelly, Accountancy Correspondent

The government will next week commit itself to sweeping reform of the law of partnership in an attempt to dissuade the big accountancy firms from registering offshore to protect the personal wealth of partners from lawsuits.

Mr Ian Lang, the trade and industry secretary, will announce that the government wants to put reform on a fast track. The legislation could be in place by 1998-99. A "quick fix" amendment of existing law has been ruled out. The announcement follows the intervention of Mr Michael Heseltine, the deputy prime minister, who is known to be concerned that if the Big Six accountancy firms registered offshore it could damage the reputation of the City of London.

The Department of Trade and Industry has been working on the issue ever the Jersey authorities indicated late last year that they were prepared to write a new law allowing big firms seeking to cut risk to register as limited liability partnerships (LLPs). The Law Commission has already begun an urgent study of the subject for the DTI with a view to putting forward proposals for reform. It is understood the commission may be able to review the whole area of partnership law.

The move may not stop Price Waterhouse and Ernst & Young, two of the Big Six firms, from registering offshore in 1997. Jersey is expected to pass its new law on July 2. However, both firms would be likely to return to UK registration if the law was changed.

The government was concerned that scores of accountancy firms, as well as at least four of the Big Six, would go offshore, possibly to Guernsey and the Isle of Man as well as Jersey, and that other firms of professionals, such as actuaries and lawyers, might follow suit.

Under LLPs the firms are still liable, as are negligent partners, but the personal wealth of other partners in the firm is not at risk. In the UK partners face losing house and home if their firms are targeted for a catastrophic claim because they are all joint and severally liable. In reality firms are keen to win LLP status, which already exists in the US, in order to help them fight legal actions where the threat to partners' personal wealth greatly increases the pressures to settle and avoid a court judgment. The Big Six claim up to eight per cent of their turnover goes on litigation costs.

The UK Department of Trade and Industry is currently considering a wide range of options to limit the liability of partnerships following public consultation.

# BSE-risk cattle cull 'will start by September'

By Deborah Hargreaves

The government expects to begin its selective cull of cattle most at risk of developing bovine spongiform encephalopathy, by September and complete it between six and nine months later, it emerged yesterday.

The Ministry of Agriculture will publish a consultation paper on Monday with details of how the scheme will operate along with levels of compensation.

But farmers were enraged yesterday by the suggestion that some cows may be put down with barbiturates on farms, before being transported to incinerators. Mr Brian Jones, a west of England farmer, told a meeting of the National Farmers' Union's ruling council: "I am horrified at the possibility of on-farm slaughter of these animals; a lot of our people are stressed enough as it is."

The government agreed to introduce the selective slaughter of animals born at the same time as others which have later developed BSE, as part of the framework for getting the beef ban lifted. The Ministry of Agriculture, Fisheries and Food, estimates the cull could involve up to 146,000 cattle.

The consultation paper is expected to give details of compensation enhancements above the value of the cows, to take into account disruption to herds and milk production. The value of a dairy cow ranges from £800 ($1,224) to £2,000.

Farmers are also calling on the government to review compensation levels every three months.

Separately, the NFU called on the government to spend the additional Ecu34m ($41.82m) aid allocated at this week's EU agriculture council meeting on helping beef producers which have sold cattle at depressed prices.

Beef prices are still 20 per cent below those of March 20 when the BSE crisis first broke.

"A whole cross-section of the industry requires a top-up to keep it moving or people will move out and won't come back again," said Sir David Naish, president of the NFU.

The Ecu34m is Britain's part of the additional Ecu200m in aid allocated to EU beef farmers to compensate for falling prices. The NFU wants the UK aid to be targeted at farmers who have sold animals between March 20 and now in order to top up the price they have received from the market.

Sir James Goldsmith, the Anglo-French millionaire, last night made his first major speech as leader of the Referendum Party, launching a stinging attack on a "sinister" European Union and decrying the governing Conservatives "as hopelessly split" on Europe. Speaking in Newcastle, Sir James said he did not care whether his decision to field candidates at the next election might let in a Labour government.

# Social chapter 'deliberately misinterpreted'

By Robert Taylor, Employment Editor, in Brussels

The meaning of the European Union's social chapter is being deliberately misinterpreted in the UK in an attempt to mislead public opinion, Mr Padraig Flynn, the EU's social affairs commissioner said last night.

Speaking to a business audience in Manchester in the north of England, he made what will be interpreted as an attack on the UK government's position of making the country's opt-out from the social chapter a key issue in the next general election. Both the Labour and Liberal Democrat opposition parties want the UK to sign up to the chapter, which came into force under the 1991 Maastricht Treaty.

"I sometimes become extremely angry at the way the social chapter is misinterpreted," said Mr Flynn. "It is not a legislative agenda but a mechanism which enables social policy objectives to be pursued effectively."

He said the European Commission had made clear that it saw no need for a new wave of social legislation, but that it wanted to consolidate existing policy.

Mr Flynn also pointed out that European social policy explicitly excluded wages or trade union rights as had been suggested recently in the UK by Professor Patrick Minford, the neo-liberal economist.

Mr Flynn said that the UK government had, "contrary to popular opinion", voted against only one piece of EU social legislation, namely that concerning the protection of young people at work. Only two measures had so far been adopted under the social chapter from which the UK had opted out: works councils in transnational companies and unpaid parental leave.

Mr Flynn made a strong defence of the need for a European wide social policy to complement economic integration. "No one wants to impose an alien model on the UK," he said, but the Commission did want to integrate the social chapter into the new EU treaty that would emerge from the intergovernmental conference.

# Lockheed team sharpens bid for aircraft contract

By Bernard Gray, Defence Correspondent

Lockheed Martin and GEC are to cut £150m ($229.5m) from their bid in the Ministry of Defence's £2bn competition to replace its maritime patrol aircraft, in a last-minute effort to wrest tha order from British Aerospace.

As a further incentive, Lockheed has also offered British companies 10 per cent of the work on the new US Joint Strike Fighter programme if its bid is selected by the US Department of Defence. The JSF programme will provide big orders in the next decade, with more than 3,000 jets worth $30m each being produced for the US market alone.

The improved offer comes because the British ministry has recommeoded to the government that BAe should win the contract with its proposal to refurbish Britain's existing Nimrod jets, rather than accept Lockheed Martin's idea of new US aircraft fitted with GEC avionics.

The cabinet is expected to decide finally on the issue within the next two weeks.

Part of BAe's attraction is that its bid was substantially lower than Lockheed's. Now, however, Lockheed and GEC have written to the ministry to ask for 90 days in which to prepare a lower bid, which they believe will put them within 5 per cent of the price being quoted by BAe.

Lockheed believes it can cut its price because it bought Loral, another US defence contractor, earlier this year and Loral already has a project management team in the UK.

In a bizarre twist, Loral has entered a separate bid for the maritime patrol aircraft competition. This was started before Lockheed acquired Loral, but bas been continued at the insistence of Mr James Arbuthnot, the defence procurement minister, despite requests from Mr Dan Tellep, Lockheed's chairman, to be allowed to drop the Loral bid.

Now that the BAe bid has been recommended, however, Lockheed and Loral have been allowed to compare notes, and the exchange has led to the proposed price cuts.

# Row over sale of homes hits defence spending plans

By Bernard Gray and George Parker

The Treasury has told the Ministry of Defence it will be looking for £1.6bn ($2.44bn) of savings from the defence budget if the proposed privatisation of the armed forces married quarters estate is blocked by Conservative MPs. Some 65 MPs signed a motion in the House of Commons opposing the deal.

The privatiaation bas attracted much interest in the City of London, and ministers were relying on the sale being completed before November's Budget. The rebel MPs however are hoping to delay the deal by at least a year.

The four shortlisted consortia bidding for the 60,000 ministry homes are led by Nomura, the Japanese securities house, ING Barings of the Netherlands, and Morgan Stanley and Lehman Brothers, the US investment banks. They bave until the end of July to complete due diligence, which is expected to cost each consortium hundreds of thousands of pounds, and to submit final offers.

Under the terms of the sale, a private sector buyer will buy the married quarters estate and will be given a guaranteed income stream through rents paid by tenants over 25 years. The deal is made more attractive by the fact that the buyer can sell surplus homes, which will be progressively released by the ministry over the next 20 years.

The threatened Treasury cuts would replace the revenue lost if the deal does not go ahead, and would bite deep into the government's plans for future equipment.

# Nuclear waste 'solution' proposed

By Leyla Boulton, Environment Correspondent

A senior nuclear industry official suggested yesterday that high-level nuclear waste could he stored safely for thousands of years in an above ground "glass pyramid" near the Sellafield reprocessing plant in north-west England. Thos would mark a sharp departure from government policy which is to leave the problem to future generations after the waste has cooleddown for 50 years. rather than be buried.

The sngqestion, from Mr Neville Chamberlain, deputy chairman of British Noclear Fuels, stunned environmentalists and local authorities in Cumbria. Mr Guy Richardson, head of planning for Cumbria County Council, said be was amazed: "It's certainly not our understanding that the waste will stay at Sellafield forever."

However, Mr Chamberlain also said that the people of west Cumbria would be entitled to exact a big price for "being the solution to a problem the rest of the nation seems to have".

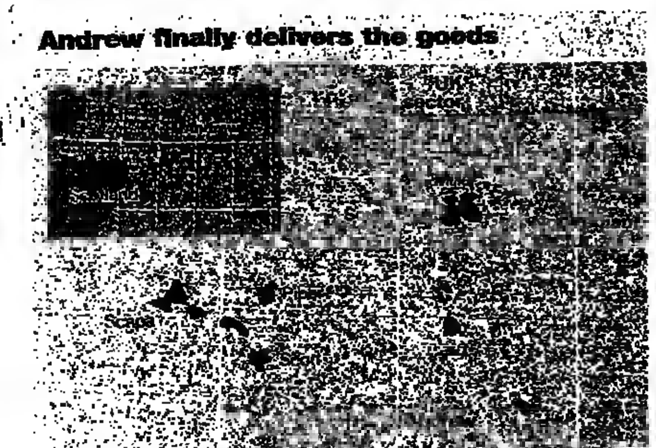
Greenpeace, the environmental group, welcomed the ability to monitor the wasta above ground and saw it as the best option currently available.

The suggestion is also likely to please BNFL's customers – including nuclear power plants in Japan and Germany – which send their waste to Sellafield for reprocessing. They are supposed to take back the high-level waste resulting from the reprocessing.

But recent riots in Germany against the return of nuclear waste reprocessed in France show how strong public feeling can be. Mr Chamberlain said that storing waste permanently at Sellafield was "one possibility".

# Costs innovation brings marginal oilfield on stream

Andrew finally delivers the goods



By David Lascelles in London

The production of the first oil from the Andrew field in the North Sea on Wednesday marks a milestone in the industry's efforts to reduce its costs.

By taking a radically new approach to work organisation, five oil companies, headed by British Petroleum, brought the estimated development cost of £450m ($688.50m) down to only £290m. This 35 per cent saving transformed Andrew from a marginal proposition into one that could make money.

Andrew was one of the first fields to be discovered in the North Sea, in 1974. But its relatively small reserves and complicated geology meant that oil companies could not afford to develop it using conventional contracting techniques.

Oil companies normally hire contractors to drill wells and build installations for an agreed fee. The new approach adopted at Andrew was based on an alliance between the companies and their contractors in which both sides stood to share in the profit if the work came in below budget.

"What we wanted was a gain-sharing arrangement that would ally everyone to a common goal," said Mr Paul Hibby, the deputy project manager.

Apart from BP, the five oil companies were Lasmo, Mitsubishi Oil, Clyde Petroleum and Goal Petroleum. Their contractora were Brown & Root, Trafalgar House, Allseas, Saipem, Santa Fe, Highlands Fabricators and Emtunga.

The board of BP had sanctioned a development budget of £450m for the field. But after detailed negotiations lasting more than six months the oil companies and contractors reckoned they could complete the job for £373m.

This agreement was based on a gain sharing arrangement which gave the contractors 56 per cent of any additional savings. On the other hand, if there was an overrun, the contractors had to pay a similar proportion of the extra cost, up to a limit of £27m.

The deal gave all the participants a strong incentive to bring costs down as far as possible. Over the three years needed to complete the work, they introdoced many new techniques which sharply reduced their outlays. For example, the jacket – the main structure snpporting tha prodnction platform – was budgeted at £33m bnt ended up costing only £24.2m.

One of the biggest costs in North Sea development is offshore labour. For Andrew, the topside installation was almost entirely completed onshore, before being shipped ont by barge and hoisted in place in a single piece by crane. Where BP's Magnus field, in 1983, required 150 offshore man hours per tonne for installation, Andrew was budgeted at only 10 man hours, but came in at just 45 minutes.

The successful outcome to the alliance means that the contractors will share some £45m in cost savings.

Although Andrew's expected daily production of 55,000 barrels of oil a day and 41m cu ft of gas will make it only a moderate sized field, this is production that was once never expected to be realised. Furthermore, tha success of the approach adopted by the alliance could set a pattern which will make possible the development of other marginal fields and keep North Sea production on the rise.

# Regulator criticises deputy chairman

By Ralph Atkins, Insurance Correspondent

LLOYD'S LLOYD'S OF LONDON

Mr John Charman, joint deputy chairman of Lloyd's of London, has been publicly criticised by the insurance market's other deputy chairman and by its director of regulation in a row over the future of tha traditional Lloyd's Name.

Mr David Gittings, director of regulatory services, said Mr Charman was "not complying with the spirit" of rules requiring underwriters to have personal financial interest in their Lloyd's syndicates. Mr Charman is the underwriter on syndicate 488. Mr John Stace, the other deputy chairman, accused Mr Charman of an "appalling display" which had let down Names supporting the syndicate.

The rules are intended to ensure underwriters' interests are aligned with those of Names, individuals whose assets have traditionally supported syndicates with unlimited liability. But Mr Charman favours the new generation of limited liability corporate investors.

The row is embarrassing for Lloyd's because Names' support is needed this August for the market's rescue plan. It also highlights the tension between Names, many of whom are expected to leave in the oext few years, and the newer Lloyd's investors.

Mr Charman said that without corporate capital his business would have folded. Syndicate 488 had been profitable for the past decade.

However, the moderate Association of Lloyd's Members has accused Mr Charman of "condnct unbecoming a depnty chairman of Lloyd's". In a letter to Mr Gittings, the association said Mr Charman had sent the wrong signal to Names "who have recapitalised the market through a traumatic period" and whose support was vital.

The letter added: "Some might suggest that Mr Charman should resign his post on the [Lloyd's] council and lose the Lloyd's franchise for his business." The association said it was "remarkable" that . . . a senior figure should cock a snook at the rules".

The cause of the row is Mr Charman's announcement of his intention to reduce his unlimited liability participation on syndicate 488 from £300,000 to £1,000.

Names see the move as a signal that Mr Charman expects limited liability capital to replace their assets. At the end of 1994, Mr Charman's agency split syndicate 488 into two. One syndicate is backed by traditional Names, the second by a limited liability investment vehicle in which Mr Charman and many of his staff are substantial shareholders. Mr Gittings said Mr Charman had complied with the letter of Lloyd's requirements. But Lloyd's regulatory board has been asked to review whether the rules are adequate.

UK NEWS DIGEST

# PM criticises Saudi dissident

The future of Mr Mohammed Al-Masaari was plunged into doubt once again yesterday, after the Saudi dissident outraged the UK government by claiming that bombers of the US base in Dhahran had an "intellectually very strong" case.

Only two months after winning the right to remain in the UK despite government attempts to expel him, Mr Al-Masaari appeared to justify the bombing that killed 19 US servicemen.

Mr Al-Masaari did not condone the terrorist tactics, but appeared to sympathise with their motives. "The Americans have become a very convenient target, being a shield for Al Saud, standing between Al Saud and the people. They are quite an easy target from a religious and moral point of view," he said on BBC radio. He said that some people think that the US is a "war target" because they believe that their presence is equivalent to the "Americans having jumped on the border and invaded directly. This is a point of view which is intellectually very strong."

The comments prompted swift condemnation from Mr John Major, the prime minister. Speaking before a meeting with President Clinton in Lyons, Mr Major said: "I haven't seen the context of what he said but I can see no case, intellectual or any other sort of case, for the sort of activity in Dhahran. It is indefensible by any tenet."

The Home Office said it was not taking immediate action, but but had referred the comments and recent controversial writing in pamphlets by Mr Al-Masaari to the Crown Prosecution Service. Officials were looking at "whether Mr Al-Masaari had committed an unlawful act", the Home Office said.

*Financial Times Reporters*

## Imports rise sharply

The level of imports sucked into the UK economy has risen sharply in recent months, suggesting that overall demand in the economy remains reasonably healthy. However, the rise in imports may also trigger concerns that the UK's trade deficit could deteriorate in the months ahead, reversing the healthy picture seen in previous years.

Although exports performed reasonably well during the spring, some economists are starting to fear that the imbalance between imports and exports could widen further in the months ahead. A hint of emerging problems in the export sector came yesterday after the Engineering Employers Federation said that export order books were now weakening. This has occured even though the engineering sector has hitherto weathered the downturn better than many other manufacturing industries.

Measured overall, the Office for National Statistics said that the UK's overall deficit in goods with the rest of the world was a seasonally adjusted £1.3bn ($1.98bn) in April – the most recent month for which data is available. This was almost double the previous month's deficit of £765m.

*Gillian Tett and Peter Marsh*

## Devolution plans tempered

The opposition Labour party has paved the way for a climbdown in its devolution plans for Scotland and Wales, offering separate referendums for both nations in a move that has infuriated several of the party's Scottish MPs. Until recently the party was committed to introducing legislation during its first year in office to establish a parliament for Scotland and an assembly for Wales. The latest referendum offer includes the vexed question of tax-raising powers for a Scottisb parliament.

However in a bid to counter accusations of a climbdown over policy, Mr Tony Blair, the Labour leader, has said he will personally lead the calls for a Scottish parliament with tax-raising powers in a referendum campaign. Labour officials have said the policy change followed a series of secret meetings held since last November involving Mr Blair and senior shadow cabinet figures. They had become increasingly concerned that the issne could dent Labour's general election prospects in Scotland and Wales.

*Financial Times Reporters*

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## Institutional investment bouyant

A record surge of investment in unit trusts, thanks in part to the popularity of new corporate bond personal equity plans, or Peps, meant institutional investment remained bouyant in the first quarter of this year.

Official figures yesterday showed institutional investment in UK and overseas assets fell slightly in the first quarter of this year but was still double the level in the same period in 1995. Total net investment by institutions was £13.5bn ($20.65bn) in the first quarter, compared with £14.9bn in the final quarter of last year and £6.8bn in the first quarter of 1995, the Office for National Statistics said.

Investment in overseas securities grew strongly. Analysts said much of this was due to investment in emerging market assets, which offer high returns. Emerging market investment was £3.8bn in the first quarter of the year. This was similar to the £3.7bn invested in the fourth quarter of 1995, but it represents a sharp turnaround from the £0.6bn disinvestment in emerging market assets in the first quarter of last year. Overall, there was a net disinvestment of £0.5bn in UK company securities in the first quarter thanks mainly to a £1.5bn disinvestment of ordinary company shares.

*Graham Bowley, Economics Staff*

## Ford cuts Fiesta production

Ford is to cut production of Fiesta vans and cars by 8,500 at its Dagenham plant in east London in the 13 weeks after the end of August. It blames weakening demand for vans in south European markets, notably Spain and Portugal, for the move.

Ford cannot keep Dagenham's lines going by building more cars because it cannot get enough of the new Zetec SE engines for the models most in demand, and which are supplied from the engine facilities of Ford's Valencia plant in Spain.

*John Griffiths, London*

## Soccer fans riot after loss

Hooligans rioted in London and other English cities after Germany's victory on the Euro 96 soccer semi-final on Wednesday. Violence in London centred on Trafalgar Square and nearby streets where several cars were set alight and shop windows smashed. There were 200 arrests in the capital and 66 people were injured. There had been no reports of attacks on German supporters, none of whom had been involved in the trouble.

*PA News*

## MANAGEMENT

# Balancing competition and co-operation

**Vanessa Houlder** talks to Adam Brandenburger and Barry Nalebuff about applications of game theory

Few ideas are more deeply ingrained in business than the one that in order to succeed, others must fail. But that thinking can be dangerously misleading, according to Adam Brandenburger and Barry Nalebuff, *two business* school professors who specialise in applying game theory to management.

"I have seen at first hand more companies than I care to mention try to destroy the competition and *in the* process bring *themselves* down," says Nalebuff, who teaches at the Yale School of Management.

Examples abound of aggressive strategies that backfire. Lowering prices in a bid to gain market share often prompts competitors to match the cuts to regain their lost share. That simply restores the status quo, but at lower prices, leaving everyone worse off.

Brandenburger and Nalebuff do not deny that conflict plays an important role in business. Their message is simply that, in developing strategy, companies should weigh up the consequences of co-operative and competitive behaviour.

That is a task well suited to game theory, a branch of applied mathematics providing a systematic way to develop strategies when one person's fortune depends on what other people do.

Although game theory was developed 50 years ago by John von Neumann and Oskar Morgenstern, it has only been taken up by business schools and management consultancies relatively recently. Nalebuff, who, with Avinash Dixit, wrote *Thinking Strategically*, a popular, non-technical account of game theory, helped *fuel this interest*.

Two years ago, Nalebuff teamed up with Brandenburger, a UK-born Harvard professor to write *Co-opetition*, a new book on game theory and business.

The two authors have much in common. Both are in their mid-30s, with doctorates in economics, business school professorships and consulting experience that includes American Express, Fidelity, Merck and McKinsey.

The authors believe their work reflects a fundamental advance in the subject. "The integration of co-operative and non-cooperative game theory is fundamentally new," says Nalebuff.

*The central tenet* is that business is simultaneously about co-operation and competition: co-operation when it comes to creating a pie and competition when dividing it up.

Much of this depends on *understanding* who holds the power in a negotiation and few people have an instinctive grasp of this. The authors say the key to such understanding is the concept of "added value", defined as "the size of the pie when you are in the game minus the size of the pie when you are out of the game".

**In Japan there is a strong awareness of the importance of relationships. 'The duality between competition and co-operation seems to strike a real chord'**

That is linked to the idea of "complementors". Brandenburger and Nalebuff coined this to describe the situation where customers value a product more when they have it in conjunction with the complementor's product. By contrast, a player is your competitor if customers value your product less when they have the *other player's* product than when they have yours alone.

The idea of complementors is most easily illustrated in hardware and software. For example, one of Intel's big challenges is that existing software applications do not push the limits of microprocessors, restricting demand for the company's next-generation chip. *So* it is heavily subsidising a desktop videoconferencing system in an effort to boost sales of more powerful chips.

By urging businesses to consider investing in complementary products, Brandenburger and Nalebuff are challenging the belief that companies should stick to *core products*. *"Businesses often* say you should stick to your knitting. [But without complementary products] your product may not succeed and no one has the same interest in your success as you do," says Nalebuff.

*But* the authors are aware that the idea of "co-opetition" risks being misinterpreted as advocating collusion. "People think it is a euphemism for cartel. We don't mean it that way," says Nalebuff.

*Others may feel that the* description of the book as "a revolutionary mindset that combines competition and co-operation" is an exaggeration. At a time when companies are entering alliances with competitors as never before, the advantages of co-operation are already widely known.

Both authors recognise that the *issues they have raised will be* received differently around the world. "I think there is a strong cultural element," says Brandenburger. "The book does reflect a more dynamic and negotiation-driven approach to business that I think is more the culture in the US than it might be in Europe." He also points to Japan, where there is already a strong awareness of the importance of relationships and indeed of game theory. "The duality between competition and co-operation seems to strike a real chord," he says.

But the authors believe the *appeal of game theory* should be wider-reaching and longer-lasting than most management ideas. Unlike many fads, it does not offer slogans to be taken at face value, says Nalebuff. "Game theory is not a prescription," he says. "It is more a way of thinking. It is a tool for analysis."

*Co-opetition, by Adam Brandenburger and Barry Nalebuff, published by Doubleday price $24.95.*

## TECHNOLOGY

ROBOTICS AT WORK

In the early years of the robotics industry, its champions predicted a glittering future in which a tireless workforce of robots would free people from drudgery at work and at home. In many ways, the industry *has lived up to its early promise.* Robots can paint cars, salvage nuclear fuel and even assist in surgery. Yet it has largely failed to produce the machines that grip the popular imagination: the talking, moving versions that perform everyday chores.

But skimming along the spotless corridors of the Princess Marie-*Astrid Hospital in Luxembourg* is a robot that, at least in some respects, looks the part. This white, 5ft-high machine with flashing orange lights, three emergency stop buttons, an array of on-board sensors and a synthetic voice that can be programmed to *speak* in *six languages*, looks more suited to a science fiction film than a hospital.

The robot – christened Max by the staff – has been installed in the hospital for nearly a year and makes 100 journeys a day moving instruments, drugs, meals, patient registration forms and medical records around the four-storey building. It covers 20 miles in an average eight-hour shift.

Jean-Claude Kintziger, the hospital's administrator, is enthusiastic. "It works," he says. It has fulfilled his hopes of releasing qualified nursing staff from such chores as moving around 500kg of files a day. *Nobody has lost their job as a result* of the robot's arrival, but it has taken pressure off porters, archivists and receptionists and saved the hospital having to employ additional staff.

Moreover, Kintziger says it is popular with the employees and patients, who have become accustomed to its presence remarkably quickly.

*Max is* the brainchild of Joseph Engelberger, pioneer of the earliest industrial models of the 1960s and founder of Unimation, the robot manufacturer. After the business was sold to Westinghouse (which later sold it to Staubli International of Switzerland), Engelberger turned his attention to service robots.

He set out to design one that did not require structural alteration to the building it worked in, such as the special passageways, with wires beneath the floor emitting guidance signals, that are commonly used by robots. Instead, his model navigates using a plan of the hospital in its memory bank and a system of 1,500 *rules that can supposedly* prepare it for almost any eventuality.

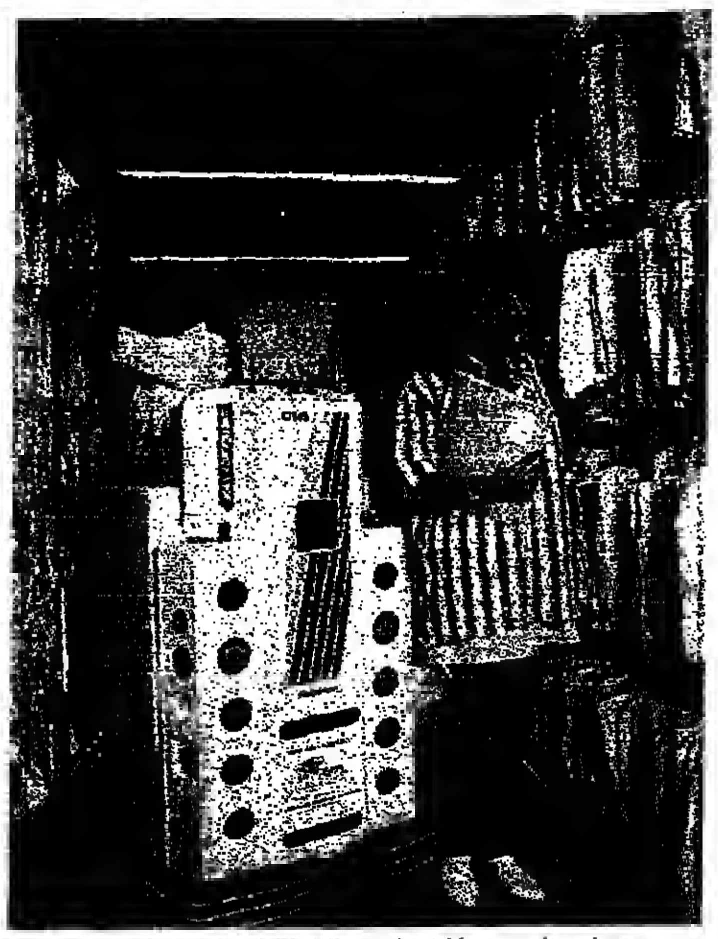
Its destination is punched into a keyboard, which resembles that of an automatic teller machine. "Unlike industrial robots, this has to be very user-friendly," says Engelberger.

Reflector tapes along the ceiling allow its position to be fixed at the start of a journey and outside lifts, which it commands using radio controls. Progress is measured by the robot counting the number of turns made by its wheels.

An "inertial gyroscope" allows repositioning if it skids on a wet floor or is pushed out of the way (there are handlebars to make it easier to move in an emergency).

The load capacity of 5.5 cu ft can be increased by adding a cart and power is provided by batteries that last 12 hours, with a similar period for recharging. On average, a breakdown occurs every 1,000 hours.

Infrared and ultrasonic sensors allow obstacles to be avoided and passages to be followed. If for some reason the robot cannot reach its *destination, it will try to find an* alternative route and can even say: "My way is blocked. Please remove the obstacle."



A robot named Max: nursing staff have been released from mundane chores

Hospitals are now discovering the benefits of a machine that acts as a porter, writes **Vanessa Houlder**

# Delivered by robots

Crashes have proved rare but the original design was modified after one collision with a patient in a wheelchair with a leg in plaster. The forward-looking sensors had failed to detect the horizontal obstacle. "It didn't hurt the man; it shook him up," says Engelberger. After that, the robot acquired ultrasonic sensors that control braking.

More than 50 hospitals in the US have these robots, known as HelpMates. Last year, *Transitions* Research Corporation of Danbury, Connecticut, which makes and markets them in the US, struck a deal under which Otis, the US lift manufacturer, took on marketing in Europe. So far, it has installed four, mostly on a trial basis, in France, Denmark, Berlin and Luxembourg.

The robots are not to everyone's liking. One problem is that loading and unloading is seen as a distraction for trained nurses. Another criticism is that the robots simply reinforce the existing patterns of work. Some health managers maintain that it would be better to "re-engineer" the way the hospital works, by trying to reduce the number of errands staff have to run.

Furthermore, the robot is simply unsuitable for many hospitals, most obviously if they have stairs or the corridors become cluttered with objects. But its ease of installation gives an advantage over the pneumatic tubes and overhead rail *systems* that are often used to transport paper and packages.

It has also been shown to save money, as long as it is used enough. In the US, where rental agreements are the norm, it costs $6 (£4) an hour for the first 12 hours, $5 an hour for the next six and $4 an hour for the following six.

Otis argues that *installation stops* qualified nursing staff and technicians from having to carry out unscheduled tasks and errands, leaving them more time to spend with patients.

According to Engelberger, staff *are usually willing to accept a* robot, provided that any job losses are by natural wastage and they share in its economic benefits.

Hospitals are particularly suited to this kind of robot because they generate a succession of errands, 24 hours a day. Engelberger is now seeking investors for another model that scrubs, sweeps and polishes. The snag is that, unless the machine is heavily used, it is likely to be prohibitively expensive.

Looking ahead, he has even more ambitious plans. His next project – on which he is working with Nasa, the US space agency – is a two-armed, mobile, sensate and articulate robot *that* will look *after* elderly people in their homes. It will be a personal servant, at a cost of just a few dollars an hour.



## THE PROPERTY MARKET

# In search of a new breed

**Simon London** on a challenge from the UK government

Most UK property investors seem to view the government's private finance initiative as at best an irrelevance and at worst a threat.

The stock response from property companies is that PFI projects are a distraction from more profitable opportunities which exist in the mainstream market.

Today, however, the Department of Social Security will announce plans to transfer up *to 800 office premises* to the private sector under the PFI.

The contract to own, manage and upgrade facilities for more than 25 years could have a net present value of about £4bn. The portfolio is likely to generate *annual* rental *income of* about £170m – more than the annual rental income of Hammerson, the fourth largest UK property company.

An invitation to participate in the provision of government accommodation on this scale demands to be taken seriously, regardless of the knee-jerk antipathy of the property industry towards the PFI.

The unenthusiastic attitude of many property investors has two roots.

First, the property market ethos is based on striking opportunistic deals away from the public eye. *The* PFI demands a long and expensive bidding process, in which all participants have access to equal information.

It is no surprise that construction companies – which are used to competitive tendering for large contracts – have taken the lead.

Last week, the DSS selected AMEC, the construction and *engineering group, as its* preferred supplier to rehouse 13,000 civil servants in Newcastle-upon-Tyne.

Second, the PFI threatens to turn property from a financial asset into a service business *backed by assets.*

Instead of being able to count on a steady stream of income from a conventional lease, the return available to landlords under the PFI depends on how well they deliver services ranging from construction to window-cleaning.

This introduces much more uncertainty into the cash flow than under a conventional property lease. In this respect, PFI property deals have more in common with project finance than with traditional property finance.

*Until* now *private finance* projects have tended to concentrate on single buildings – such as the £300m contract to redevelop the Treasury building in Whitehall, central London – or regional office portfolios.

By offering its portfolio in one large chunk, the DSS hopes to attract international bidders. In this respect the deal *is comparable* to *the planned* sale of the Ministry of Defence's married quarters estate, which attracted 19 initial bids, many of them led by overseas financial institutions.

*But* the sale of the married quarters estate is primarily a financial transaction, with the MoD offering to pay a guaranteed rent under a 25-year repairing and insuring lease.

The successful bidder for the DSS portfolio will have to get involved with every aspect of managing hundreds of office *buildings*, many of them aged, throughout the UK.

The DSS is also likely to transfer occupational risk to the private sector, leaving the winning bidder with the opportunity (or problem) of disposing *of unwanted premises. The* department is taking the PFI to its logical conclusion by asking whether government should be in the property business at all.

If the project is a success, it will throw down the gauntlet to other *government* departments and to large private sector occupiers.

There is no reason why BT or British Gas should be in the property business any more than the DSS. On a long view, the implications are revolutionary.

The DSS aside, there is already an impressive list of property-related PFI projects in the pipeline, *taking* in the Treasury building, the Inland Revenue (in Manchester, Glasgow and Edinburgh), National Savings (in Durham, Glasgow and Blackpool), and probably the Ministry of Defence main *building in central London.*

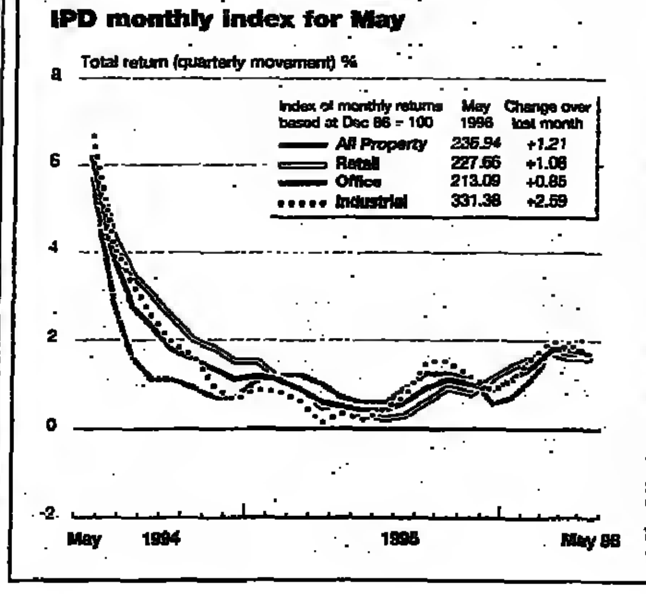
Most property companies will probably prefer to take the short-term view that bidding for PFI projects is a time-consuming distraction. The handful of companies which have shown themselves capable of delivering spectacular returns are probably right not to get involved.

Others will take the view that the PFI is another nail in the coffin of the office property market by leading to the release of millions of square feet unwanted government space. These will continue to weight their portfolios in favour of shopping centres and leisure parks.

The truth is that a gap is *opening up for* a new type of property company which marries construction and facilities management expertise with traditional property flair and risk management.

The consortium which wins *the contract for the DSS portfolio* could be the first of this new breed.

**IPD monthly index for May**




# Slight slowdown

Commercial property values declined by 0.2 per cent during May, according to the IPD *monthly index, the 22nd* consecutive month of decline. Capital values fell in the retail, office and industrial sectors, even though rental values improved by 0.1 per cent for the second consecutive month. As a result, the all property rate of total return slowed slightly in May to measure 0.5 *per* cent against 0.6 per cent in April.

On a 12-month view, the trend in capital values, rental values and total return are showing some improvement. The all property rate of total return was 4.8 per cent for the year to May, against 4.4 per cent to April. Capital values declined by 3.3 per cent, against a fall of 3.7 per cent. *Rental value growth* strengthened to 0.5 per cent in May, up from 0.3 per cent in the year to April.

Industrial property was the best performing sector in May, showing a total return of 0.8 per cent. Retails recorded a total return of 0.5 per cent, unchanged from *April. The total return* from offices fell from 0.7 per cent to 0.4 per cent, mainly reflecting a 0.3 per cent decline in capital values during May. Industrial property is the best performing sector, returning 5.5 per cent in the 12 months to May.

ARTS

# Opera under the clouds

## Andrew Clark reviews the two opening productions of Garsington's season

With the first two productions of its 1996 season, Garsington Opera demonstrates what a valuable niche it has carved in the British summer festival market. Resourcefully cast and attractively staged, *Albert Herring* and *Il turco in Italia* enhance the company's reputation for serious artistic intent, masked by an enviable and sometimes deceptive light-heartedness. Barely eight years old, Garsington has nothing to fear from comparison with older-established opera festivals at home or abroad.

Its future nevertheless hangs in the balance. The charm underlying all Garsington performances is the setting: an Italianate garden terrace adjoining the 17th-century manor house of an Oxfordshire village. But sound travels, and a long-running legal battle is coming to a head with a group of villagers who say the music disturbs their peace. With planning permission due to run out this year, Garsington Opera has applied to continue on a long-term basis. A public inquiry opened in April, an inspector was present at the opening night, and a decision is expected in October. It is a marvel that this hiatus has not undermined the company's finances or morale.

Much has been done to minimise disturbance. In addition to sound-baffles and a roof canopy, the stage now boasts a transparent side-barrier, preserving Garsington's magical indoor-outdoor atmosphere without detracting from the lively orchestral bloom. Patrons are told to leave by 11pm and discouraged from driving into the village. Local residents and schools have free entry to dress rehearsals; village organisations receive money from a trust fund. Is the sound of an aria wafting through the summer air still too much to bear?

If the planning application is rejected, there will be 9,000 disappointed patrons and a dip in income for local businesses. But the saddest man of all would be Leonard Ingrams. A shy banker of the stiff-upper-lip school, Ingrams, 54, is better known in the City as a former director of Robert Fleming & Co, and

*Deceptive light-heartedness masks a long-running legal battle with villagers who say the music disturbs their peace*

now works for Bahrain's Arab Banking Corporation. He and his family bought Garsington Manor 14 years ago, seizing the chance to build on its artistic antecedents: this is where Lady Ottoline Morrell entertained the Bloomsbury Group, where outdoor drama performances have long been part of the local summer calendar.

*Ingrams* is not an eccentric in the mould of Sir John Christie, founder of Glyndebourne, and he has no intention of building a permanent theatre. But he knows a thing or two about music, and after two charity performances at Garsington in 1989, his idea of staging opera in his own home began to snowball, underwritten by good social and business connections. The current season of 18 performances should break even on a budget of £850,000. With no public subsidy, Garsington pitches for a well-heeled clientele, who find it more intimate than Glyndebourne and more sophisticated than other open-air ventures.

Ingrams chooses the conductors and producers, and give or take a few casting suggestions, lets them get on with it. If he wins the go-ahead for future seasons, he plans to continue Garsington's successful Haydn series, and Strauss's *Die aegyptische Helena* is pencilled in for its British stage premiere next summer. But chamber opera suits Garsington best, as *Herring* and *Turco* have underlined.

The two works sit well together, because Britten's mastery of operatic farce matches Rossini's, and *Herring* is Rossinian in the speed and dexterity of its recitatives. Both are comedies drawn from real life – *Herring* in its parody of the English village mentality (shades of Garsington), *Turco* in its send-up of love and marriage, seen through the eyes of a poet-narrator. In each case, the musical basis of the humour is unmistakable.

The Britten production, conducted by Stephen Barlow, directed by Stephen Unwin and designed by Jackie Brooks, is solid rather than inspired – a consequence of Unwin's understated approach. The avoidance of caricature – which would doubtless have pleased Britten – is taken to such an extreme that character-quirks have to be taken for granted, and the early scenes are flat. The corollary is that the score comes over with unexpected immediacy, especially in the way it mimics the action. Barlow and his 13 players deserve credit not just for their contrapuntal clarity, but for such good rapport with the stage.

By updating the action to the post-war era – post-rationing but pre-Pill, with a nice line in late 1940s fashions – the staging gives us a chance to share Britten's sense of nostalgia for a long-lost England. Unwin and Brooks make much of Garsington's natural set, keeping the terrace and loggia free of unnecessary props and using the fading light to conjure a vivid early-morning aura before the finale. As in *Turco*, the only visual irritant is the appearance of out-of-costume stage-hands for scene changes.

All the parts are beautifully type-cast. Pauline Tinsley's Lady Billows is a harridan-with-a-heart, singing with such Thatcherite conviction that we really believe her (but are the speech notes really necessary?). Mary King's prim, spinsterish Florence lacks bite, but the village worthies are neatly etched, and Jeffrey Lloyd-Roberts wins our sympathy as a portly, apron-stringed Albert. Patricia Boylan's doughty Mrs Herring nearly upstages them all.

Although *Turco* is one of Rossini's less memorable efforts, one hardly notices it at Garsington. The first half could do with more variation of pace, especially in Wasfi Kani's otherwise sensitive conducting, but Stefano Vizioli's Italian-language staging blends wit, theatre, slapstick and style. Susanna Rossi Jost's costumes are the picture of 1920s frivolity, more English than Italian – and why not? The ladies' flappers and headbands are alone worth the ticket. But what really distinguishes this performance is the way the comedy grows out of the music and communicates to an audience which understands little of the words.

The cast works like a true ensemble, with split-second timing and all the right body-language. Diction is exemplary – especially Mary Hegarty's flighty, pearl-like Fiorilla, gliding through the coloratura with the poise of a trapeze-artiste. Steven Page's Geronio is a *tour de force* of bowler-hatted indignation – his bass duet with Francesco Facini's Turkish Romeo is the evening's highlight – while John Graham Hall convinces us that Narciso really is a wet English gent. With only one mis-cast part, Garsington has mastered Rossini with impressive sleight-of-hand.

*Idomeneo*, the third opera in Garsington's season, opens tonight. The season continues until July 14 (01865 368201).

Richard Halton and Claire Henry in 'Albert Herring'

# Trouble down at the farm

Playwright Philip Osment ends his "Devon Trilogy" on a decidedly downbeat note, with three gunshots in blackout. *Flesh and Blood* spans 30 years on the precarious Thorne family farm, beginning after the funeral in the mid-1950s of the father of the central trio. Elder siblings William and Rose (yes, Rose Thorne), with their oppressive sense of family obligation, take on the task of running the place, but their grim assiduity does not translate into success; younger brother Charles, stymied in his bid to escape through marriage, lets his resentment gnaw away at his mental health.

The play veers between compelling, claustrophobic family drama – all the tensions of an incestuous household without the actual incest – and *Cold Comfort Farm* territory. The threesome's psychological atrophy is precisely orchestrated through their interactions, but Osment is less skilled at inserting passages of plot exposition into this tight fabric. For example, when Rose makes a passing mention of the lunatic asylum "down Digby", we know that it is only a matter of time until we hear that Charlie either is or has been sequestered there: sure enough, up it pops amid a flurry of bald references to the ageing family's various ailments and the dilapidated material and financial position of the farm.

Into this deteriorating state of affairs walks Shirley, whose engagement to Charlie was broken off three decades earlier and whom William also admired; she has returned from Australia to possibly wheedle an inheritance out of the Thornes for her son by Charlie, but rapidly abandons the latter project on sizing up the dire situation.

Abigail Thaw is paradoxically more comfortable with the awkwardness of the second act, as Shirley's brash Aussie grin glazes over. She is well complemented by Geraldine Alexander as Rose, the substitute mother and self-appointed custodian of the family heritage. Simon Robson's William is a muted figure of pity, dourly suppressing any sense of lost opportunities in his youth.

*The laurels, however, go to* Martin Marquez's fearsomely concentrated performance as Charlie. We may wonder why he hangs his head at such a crooked angle through the earlier scenes, scarcely looking another character in the face and even managing to walk askance; in fact, Marquez is sowing the seeds of the painfully shambling, cracked creature that Charlie will become.

Mike Alfreds (who also directed Osment's earlier Devon plays, *The Dearly Beloved* and *What I Did in the Holidays*) pursues his usual strategy of allowing his actors as free a rein as possible. The policy pays off, with a production which supports the script through its sporadic weaknesses to the inevitably bleak conclusion.

**I.S.**

In repertory at the Lyric Hammersmith, London W6, until July 27 (0181 741-2311).

Theatre/Ian Shuttleworth

# An old 'Odd Couple'

Tony Randall and Jack Klugman first played Felix Ungar and Oscar Madison in the early 70s TV series which spun off from the film version (starring Jack Lemmon and Walter Matthau) of Neil Simon's play. They have since reprised the roles in several American and international theatrical tours, directed by Harvey Medlinsky, who is also at the helm of this production. In other words, you are unlikely to see a more finely turned version of *The Odd Couple* on any stage anywhere. This, however, is not quite the unambiguous accolade it may at first seem.

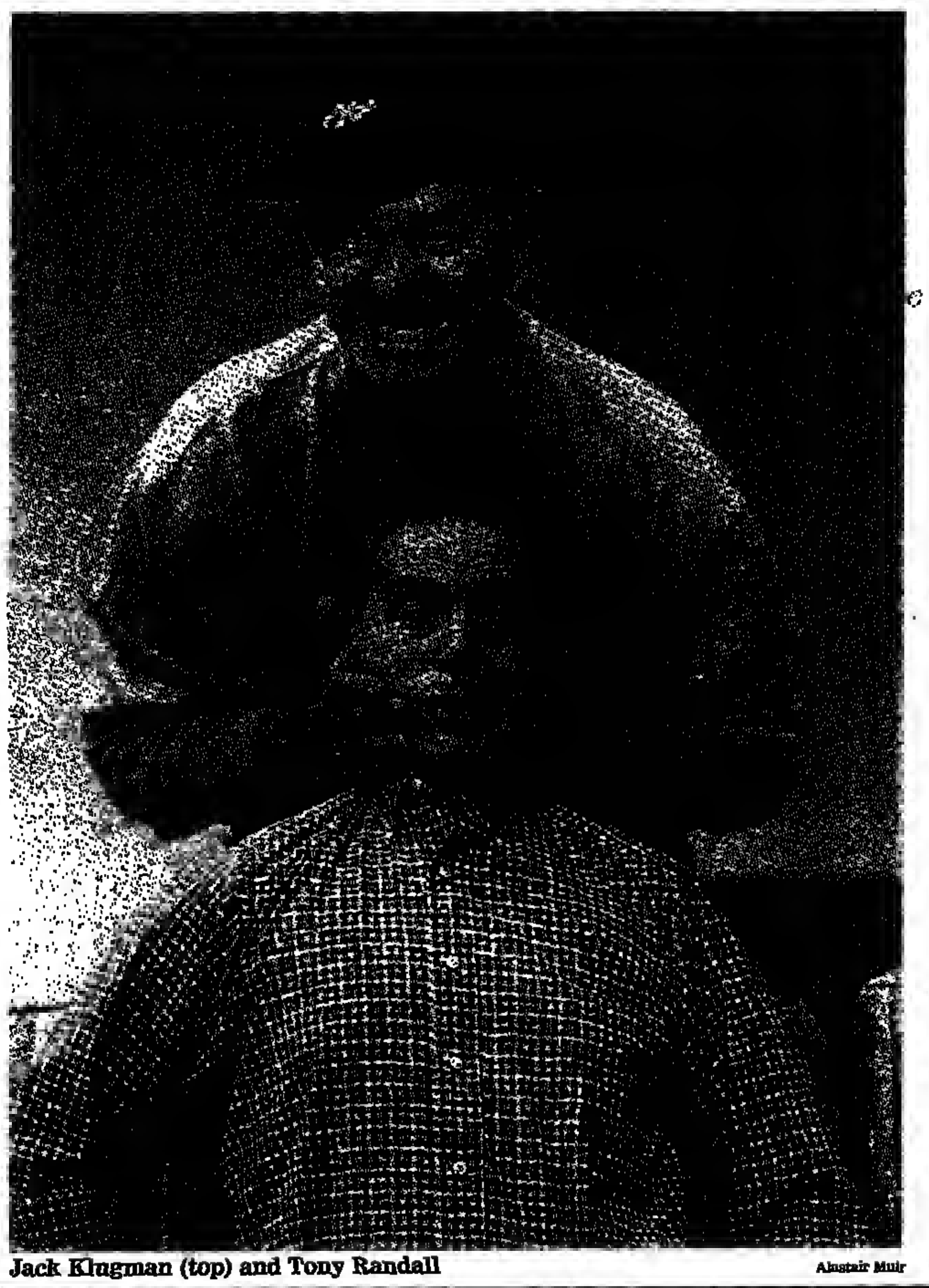
Randall, Klugman and director Medlinsky all plainly know the play inside out. Every comic twist of the story – finicky, neurotic Felix moves in after his marital separation with slobbish divorced sportswriter Oscar, driving him to distraction – is precisely played, every tic and sight-gag deployed with a precision born of long experience. Perhaps too long: performances and lines are pitched on a broad, showy level which inspires warm admiration but little engagement with the play, still less with its possible subtexts.

The oddity of the couple's surrogate marriage, with Felix complaining that Oscar's late arrival home has spoiled the dinner joint, avoids all sexual implications with a quiet determination. Randall and Klugman, at 76 and 74 respectively, are at least 20 years too old for their roles, but their consummate performances mean that this never obtrudes on our awareness ... never that is, until a double date with a pair of giggling English sisters from the apartment upstairs, who are young enough to be their daughters by a second or even third marriage.

Oscar's Friday-night poker school is peopled by English supporting actors (Henry McGee, Trevor Bannister and a highly unlikely Rodney Bewes) who at times threaten to turn their scenes into Ray Cooney with a faltering transatlantic twang. Felix's arsenal of physical and vocal quirks, from the bursitis which makes it impossible for him to throw objects in anger to the "moose calls" to clear his inner-ear blockages, is played by Randall with a kind of elegant ostentation. Only Klugman, despite the surgical removal of a vocal chord which gives his voice the quality of several tons of gravel, delivers his lines with naturalistic cadences.

This production is a cash cow for Tony Randall's laudable non-profit making National Actors Theatre, and there is no reason why he should not exploit the play which he and Klugman have made their own. Those who wish to see an authoritative but unchallenging version of a modern American comedy classic could not put themselves in safer hands.

*At the Theatre Royal Haymarket, London SW1 (0171-930 8800).*



Jack Klugman (top) and Tony Randall Alastair Muir

# Roman rape updated

Paul Godfrey's modern version of Terence's Roman comedy, *Hecyra*, takes the cue for its awkward tone from the difference in attitude to the prime dramatic event (which occurs offstage, some nine months before the action begins) between 1st-century BC Rome and the 20th-century west.

Philumena, a character who herself does not appear, was raped one night by an unknown assailant, fled her home and marriage when her pregnancy grew advanced and as the action begins has just turned up in the Holiday Inn where her parents, in-laws and husband have been staying while searching for her in the city.

To Terence's audience, the act of rape was a less heinous affair (although still morally dark); today, the notion of basing a comedy upon such a violation is repugnant. Consequently, although Godfrey's free adaptation contains a number of mild laughs drawn from the characters of Philumena's family, *The Invisible Woman* is a sombre, deliberately uncomfortable affair in mood.

Even before we learn of the rape, a feeling of stiltedness and unease is conveyed by a number of factors: Lucy Weller's stage design of a hotel corridor painted an unsettling scarlet; the fact that we only see characters conversing in this passageway; and Godfrey's decision to write in short, predominantly question-and-answer exchanges (only around half-way through the one-hour play does the family begin occasionally to utter lines of more than a dozen or so words).

Godfrey and co-director Ramin Gray insist on performances in keeping with the general air of discomforture: characters seem detached, artificial, with a shadow of Ionesconian absurdity lying across their exchanges. Ann Firbank in particular succeeds in hinting at a stifled humanity in the husband's mother, Sostrata; but Ron Davies as her spouse, Laches, is awkward even by the standards of this production.

The final resolution is comic only in the barest technical sense: in a six-word exchange which encapsulates the play's ambivalence, husband Panphilus (Paul Mooney) – having discovered that the woman he drunkenly assaulted months ago was the same one he later took to wife – exclaims, "I'm a father!" Bacchis, his former mistress, coldly replies, "You're a rapist."

Perhaps it is this pervasive discomfort which makes *The Invisible Woman* – impressive though it is on its own terms – feel more like an exercise or a demonstration of cultural difference, than a drama in, and of, itself. It is consistently intriguing and gently provocative in its intellectual and moral aspects, but does not seem to stand quite comfortably upon its own two feet.

At the Gate Theatre, London W11, until July 13 (0171 229-0706).

INTERNATIONAL

# ARTS GUIDE

## AMSTERDAM

**CONCERT**
**Concertgebouw**
Tel: 31-20-5730573
● Kronos Quartet: perform music by Chin, Partch, Phan and Dun; 8.15pm; Jul 1
● Radio Filharmonisch Orkest: with conductors Peter Eötvös and Jurjen Hempel, the Groot Omroepkoor led by Huub Kerstens, and pianist Laurent Boffard perform Berio's *Alleluiah II per cinque gruppi di strumenti* and Coro per voci e strumenti; 8.15pm; Jun 30

## BRUSSELS

**OPERA**
**Théâtre Royal de la Monnaie**
Tel: 32-2-2291200
● Carmen: by Bizet. Conducted by Bertand de Billy and performed by La Monnaie; 7.30pm; Jun 29

## CLEVELAND

**EXHIBITION**
**Cleveland Museum of Art**
Tel: 1-216-421-7340
● Transformations in Clevaland Art, 1796-1946: exhibition exploring *Cleveland's artistic tradition from its* origin to the mid-20th century. Organised to celebrate Cleveland's bicentennial, the display features more than 200 paintings, prints, sculptures, photographs and decorative arts dating from the early 19th century; to Jul 21

## COPENHAGEN

**EXHIBITION**
**Ny Carlsberg Glypothek**
Tel: 45-33 41 81 41
● Byzantium. Late Antique and Byzantine Art in Scandinavian *Collections*: this exhibition brings together more than 100 objects from Uppsala, Stockholm, Oslo, Helsinki, Copenhagen and Odense; to Aug 31

## DUBLIN

**EXHIBITION**
**Irish Museum of Modern Art**
Tel: 353-1-6718666
● Sean Scully: Twenty Years: this exhibition includes approximately 30 paintings and 32 watercolours covering the two decades during *which Scully moved* from England to the US, obtained American citizenship and established himself as a pivotal figure in post-war abstract painting; to Aug 25

## GLASGOW

**CONCERT**
**Glasgow Royal Concert Hall**
Tel: 44-141-3326633
● The Royal Scottish National Orchestra: with conductor Christopher Bell and pianist Steven Osborne perform works by Bizet, Shostakovich and Grieg; 7.30pm; Jun 29

## HAMBURG

**EXHIBITION**
**Hamburger Kunsthalle**
Tel: 49-40-24862612
● Ernst Ludwig Kirchner. Die frühe Davoser Zeit: exhibition of works by Ernst Ludwig Kirchner from the museum's collection, created in his *first years in* Davos where the Expressionist artist settled in 1917; to Aug 25

## HELSINKI

**EXHIBITION**
**The Museum of Foreign Art, Sinebrychoff** Tel: 358-0-17336360
● Views of Rome and Venice. Italian 18th Century Landscapes and Veduta Paintings: exhibition of townscapes and landscapes by Venetian and Roman veduta (view) painters; to Jul 29

## HOUSTON

**EXHIBITION**
**Contemporary Arts Museum**
Tel: 1-713-526-0773
● Richard Long: Circles Cycles Mud Stones: British artist Richard Long is renowned for his meditative walks which inspire his creation of artworks that evoke the surrounding landscape; to Jun 30

## LONDON

**CONCERT**
**Queen Elizabeth Hall**
Tel: 44-171-9604242
● London Sinfonietta: with conductor Markus Stenz perform works by Goebbels and Lindberg; 7.45pm; Jun 30
**Wigmore Hall** Tel: 44-171-9352141
● James Lisney: the pianist performs Schubert's Sonata in E, D157 and Sonata in B flat, D960; 7pm; Jun 30
**EXHIBITION**
**Victoria & Albert Museum**
Tel: 44-171-9388500
● William Morris: this exhibition celebrates the life and work of William Morris (1834-1896), designer, artist, poet, visionary and founder of the Arts and Crafts Movement, businessman, publisher, calligrapher and passionate socialist; to Sep 1
**JAZZ & BLUES**
**Royal Albert Hall**
Tel: 44-171-5898212
● *George Benson: performance* by the American singer/guitarist. Part of the JVC Capital Radio Jazz, Funk and Soul Festival; 8pm; Jul 1
**OPERA**
**London Coliseum**
Tel: 44-171-8360111
● La Bohème: by Puccini. Conducted by Alex Ingram and performed by the English National Opera. Soloists include Anne Williams-King, Mary Plazas (Jun 29, matinee) John Hudson and Roberto Salvatori; 7.30pm; Jun 29 (also 2.30pm) ; Jul 2
**THEATRE**
**The Pit** Tel: 44-171-6388891
● The Painter of Dishonour: by Calderón, in a new version by Boswell and Johnston. Directed by Laurence Boswell and performed by the Royal Shakespeare Company. The cast includes John Carlisle, Charles Dalsh, Don Gallagher, Sara Mair Thomas, Tony Rohr, Clifford Rose and Sophie Heyman; 7.15pm; Jun 28, 29 (also 2pm)

## NEW YORK

**EXHIBITION**
**International Center of Photography** Tel: 1-212-860-1777
● Josef Sudek: The Pigment Prints 1947-1954: exhibition marking the 100th anniversary of photographer Josef Sudek's birth. During tha 1940s Sudek chose to make contact prints from large-format negatives (instead of enlarging his negatives) in order to retain the aharpness and full detail of the image. Tha exhibition features the negatives which Sudek printed with the charcoal, carbon and carbo process known es pigment printing; to Jun 30
**The Metropolitan Museum of Art**
Tel: 1-212-879-5500
● American Printmaking 1860-1900: Winslow Homer and His Contemporaries: an exhibition to complement the Homer painting retrospective by providing a context for the artist'a printmaking efforts. Printmaking from his early and late career is shown along with works by printmakers active during Homer's career; to Sep 22

## ORLEANS

**EXHIBITION**
**Musée des Beaux-Arts d Orléans**
Tel: 33-38 53 39 22
● Mémoire du Nord. Peintures flamandes et hollandaises des Musées d'Orléans: exhibition of more than 100 Flemish and Dutch paintings from the museum's collection, a large part of which has never been on display before. The exhibited works were created between the end of the 16th century and tha first part of the 19th century; to Jun 30

## PARIS

**EXHIBITION**
**Musée des Arts Décoratifs**
Tel: 33-1 44 55 57 50
● Les Dubuffet de Dubuffet: exhibition of works by Jean Dubuffet from the collection of the artist himself; to Jun 30
**OPERA**
**L'Opéra de Paria Bastille**
Tel: 33-1 44 73 13 99
● Norma: by Bellini. Conducted by Carlo Rizzi and performed by tha Opéra National de Paris; 7.30pm; Jun 29

## SYDNEY

**OPERA**
**Drama Theatre, Opera Theatre, Playhouse** Tel: 61-2-250-7127
● Alcina: by Handel. Conducted by Jana Glover and performed by the Australian Opera. Soloists include Rosamund Illing, Emma Lysons, and Kathryn McCusker; 7.30pm; Jun 29

## ZURICH

**CONCERT**
**Tonhalle** Tel: 41-1-2063434
● Tonhalle-Orchester: with conductor Leif Segerstam and violinist Julia Becker perform works by Nielsen, Svendsen, Alfvén and Sibelius; 6pm; Jun 29

*Listing compiled and supplied by ArtBase The International Arts Database, Amsterdam, The Netherlands.*  *Tel: 31 20 664 6441*

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*Squawk Box*

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*European Money Wheel*

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*Financial Times Business Tonight*

## Philip Stephens

# Fed up with fudges

### Mr Blair has tightened his grip on the Labour party, and is determined to present voters with clear and realistic policies

Let us not delude ourselves. We cannot be certain how Tony Blair's Labour party would rule unless and until it wins power. Governments define themselves by their actions, not by their ambitions. In opposition, politicians can offer only emblems. Turning out a governing party always requires from the voters a large leap of faith.

That said, Mr Blair still has a problem. It is easily stated. Never mind what he would actually do in 10 Downing Street. Few voters have yet a clear idea even of how his party aspires to govern.

Ask your friends to specify, say, the three or four things they would expect of a Blair-led administration. If my own straw polls are a guide the question elicits a ragbag of responses: spend more on the health service, put up the top rate of tax, set up a parliament in Scotland, hit the privatised utilities, introduce a minimum wage. There is the occasional mention of education or of Europe. But you also get a lot of hmmms. Some manage only one or two items from the above list.

There are those among Mr Blair's colleagues who are not much fussed by such reactions. They are sure the Conservatives have lost the election. They see no need to do anything but play it safe and wait for the prize.

The leader thinks otherwise. He is fed up with fudges. He sees the single biggest obstacle to an election victory as the weight of concern among the voters about taking such a large step. Fear of change will run hard against time for a change. It is not as if Labour was last in power five, or even 10, years ago. The electorate has to take more than usual on trust to choose a party which last governed 18 years ago, and then hardly distinguished itself. And the Conservatives will step quickly into any vacuum. You do not have to think hard about the answers John Major wants the voters to give to the above question: Labour would spend more, tax more, wreck the constitution and give in to Europe.

Hence Mr Blair's pronouncements this week on Scottish and Welsh devolution. In spite of the uproar among some of his own MPs, he is unapologetic about the decision to submit plans for a Scottish parliament and for a Welsh assembly to the voters of those two countries. It is a risky strategy. There are dark memories in his party of the 1979 referendums, the catalyst for the fall of the last Labour government. But he has told critics that Scotland has failed to secure home rule during the past 100 years because it has always been proposed on terms framed by the enthusiasts. To happen, it must meet the concerns of the sceptics.

Popular consent in a referendum, he believes, would give essential legitimacy to devolution. It would also transform the subsequent legislative debate at Westminster. Nor will Mr Blair retreat from the idea that the Scottish electorate should decide also whether its parliament has tax-varying powers. He thinks the voters will say yes, but, if not, that must be their choice.

He is also sure that devolution will work only if it is on terms which are seen to be fair to the English. That demands more than a referendum. In a speech later today

> The electorate has to take more than usual on trust to choose a party which last governed 18 years ago, and then hardly distinguished itself

Mr Blair plans to say the authority given to the Edinburgh parliament must be set out explicitly and in detail in the relevant legislation. Westminster will reserve the right to recall all or any of those powers, thus retaining an ultimate say for English MPs in the affairs of Scotland. Power devolved will be power retained. Labour offers devolution but not federalism.

This particular about-turn is only one part of a bigger picture. Next week the Labour leader will publish his party's promised mini-manifesto. He wrote the first draft last weekend. He sees its most important task as setting out his case for a government that is neither Old Labour nor New Right. But the process of getting there has been as important as the final product.

During the past few weeks the rustling of glossy new policy documents and earnest shadow cabinet speeches has muffled the sound of the party ditching its remaining Old Labour baggage. All the while, Mr Blair has been tightening his personal grip on policy-making. Some of his shadow cabinet colleagues have grumbled, but none has mounted a serious challenge.

New Labour now has a leader who would not only retain the Trident nuclear deterrent but is ready to proclaim that, if necessary, he would press the button. A much-needed dose of realism has been injected into the commitments for a national minimum wage and for new employment legislation. Comprehensive schools are to be reformed, grammar schools left alone. New limits have been erected around state intervention in the market. And the party now proclaims an intention to spend less rather than more on welfare benefits.

In all this Gordon Brown, the shadow chancellor, has been a pivotal figure. His colleagues are beginning to realise that Mr Brown is serious about eliminating spending pledges. They will find themselves making more hard choices over coming months. The shadow chancellor has not made up his mind how he would respond to income tax cuts in the November Budget. But, assuming they are targetted on those with average or low incomes, I find it hard to believe he would oppose them.

Ditching the negatives will not be enough. The past few weeks have seen the first signs of a narrowing of the gap in the opinion polls. The next will be the beginning of the Conservatives' advertising onslaught: New Labour, New Dangers. In building its fortifications of reassurance, the opposition risks leaving the electorate ignorant of its real intent.

Mr Blair considers that he has produced a realistic prospectus for a first term of office. Next week's mini-manifesto will set out the priorities: educational opportunity, reform of the welfare state, a limited but active partnership between government and industry, decentralised government and a powerful voice in Europe. To those who demand more precision in these policies, he responds that only so much is possible outside government.

But there are still questions to be answered and pretty soon the Conservatives will start to ask them. Even the latest proposals on devolution leave open the issue of whether Scotland should retain its over-representation at Westminster once it has a devolved parliament. And a cursory glance at Labour's welfare-to-work proposals shows them to be a great deal stronger on rhetoric than on substance.

More than that, Mr Blair needs some convincing emblems, easy symbols of his ambition for government. When they eventually reach the polling booths, the voters will ask themselves what a Labour government would offer them. If Mr Blair does not provide an answer, Mr Major surely will.

## LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

We are keen to encourage letters from readers around the world. Letters may be faxed to +44 171-873 5938 (please set fax to 'fine'), e-mail: letters.editor@ft.com Translation may be available for letters written in the main international languages.

### Hardly a leap in Japanese growth

*From Mr Richard A. Werner.*

Sir, The strong Japanese gross domestic product figures of 5.7 per cent year on year real growth in the first quarter evoked a strong reaction from surprised economists ("Japan's economic recovery – a miracle or a mirage?", June 20, and Brian Reading's letter, June 27).

Japan's economic recovery was easy to forecast. All that was needed was central bank money printing. This started in April last year. Half a year later, a full-blown recovery had to take place.

The claim that the figures must have been wrong or distorted was also made about the "surprisingly" strong fourth-quarter 1995 figures, when GDP accelerated from nought to 2.5 per cent year on year real growth. In the event, the figures were revised up to 2.7 per cent.

Mr Reading's suggestion that more than half of the first quarter growth was due to the leap day in February is a bit much, though. Leap days are not introduced at short notice. If it was the leap day, why then did the leap day accountants not forecast the strong figures?

Then, again, if a four-year recession with record unemployment and the first negative nominal GDP growth in post-war Japan can be ended by a leap day, I suggest governments abandon economic policy and instead focus on calendar policy, introducing the occasional extra day, as required. Anti-cyclically, of course.

**Richard A. Werner,**
**chief economist,**
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**Tokyo branch,**
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**Tokyo 100**

### Union's campaign yet to succeed

*From Mr Dan Gallin.*

Sir, We were pleased to read Robert Taylor's article on global trade union campaigns ("United across the Internet", June 25), but one item needs correction. We cannot as yet claim to have persuaded PepsiCo, Heineken and Carlsberg to pull out of Burma.

The IUF, the foodworkers' international union, in co-operation with human rights and other groups, has indeed pressed these companies not to invest in the country on the grounds that under present conditions such investments can only tighten the military's grip on power. In response to public pressure (and the loss of a lucrative contract with Harvard University), PepsiCo announced in April that it was relinquishing its ownership in the company's Burmese bottling operation. It will, however, continue to license its brand name and supply concentrate. PepsiCo's "withdrawal" is therefore a half-measure at best.

Heineken has formed a joint venture with a holding company, controlled by the procurement office of the Burmese military, and justifies its presence with the argument (among others) that PepsiCo remains active. Carlsberg defends its search for Burmese partners with reference to Heineken. The campaign for full disinvestment from Burma on the part of these companies therefore continues.

**Dan Gallin,**
**general secretary,**
**IUF,**
**Rampe du Pont-Rouge 8,**
**CH-1213 Petit-Lancy,**
**Switzerland**

### Positive discussion on ethics sought

*From Mr George Nissen and others.*

Sir, We write in response to Joe Rogaly's article "Dodgy dealers and morality" (June 22/23). The invitation for Mr Rogaly to meet the institute's ethics committee was sent in good faith in the hope that a positive discussion about how to take forward the debate about higher standards would result, but in no expectation that this merited anything other than an honest journalistic examination.

It is disappointing and depressing, therefore, that a journalist of Mr Rogaly's standing should write in such sweeping (eg, "Practitioners are hucksters") and cynical tones on ethical standards among securities practitioners.

His observations lack substantiation, add nothing to what we consider is an important debate and seem to have done little to advance the subject.

The main purposes of the Securities Institute are to maintain and strengthen standards of integrity and competence in individual practitioners. Establishing and maintaining an ethos which ensures high personal standards is certainly not an easy task particularly in today's highly competitive markets. It calls for something beyond a thick book of regulations.

But we believe that this can be achieved and that it would be a sad day for London, as a pre-eminent international financial centre, if we were to conclude that the rule book and the pursuit of personal profit were the only factors motivating conduct. Ethical awareness itself is a matter of self interest for the securities practitioner, the industry and the City.

**George Nissen,**
**chairman, Securities Institute Ethics Committee,**
**Alastair Ross Goobey,**
**chief executive, Hermes Pensions Management,**
**Graham Ross Russell,**
**chairman, Securities Institute,**
**Hugh Stevenson,**
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**24 Monument Street,**
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### Puzzling connection for the French

*From Mr J. Fourel.*

Sir, Barry Riley's column on Sun Life and corporate governance, "French leave for shareholders" (June 22/23), combined, as usual, substance with stylistic felicity. The article's subtitle and punchline ("La vie du sol may not be all it is cracked up to be") must, however, have left many French readers rather puzzled as to the connection between Sun Life and farming (which, of course, is what "la vie du sol" evokes in a French mind!).

One can only surmise that, when writing his column, Mr Riley was either daydreaming in Spanish, or, having just reread the famous scene between Kate and her lady-in-waiting in Shakespeare's Henry V, was indulging in the Bard's penchant for Anglo-French puns (one could only approve of Franco-British corporate governance drafted in that spirit).

Regardless of the influence under which his pen happened to be at the time, Mr Riley may rest assured that his column shall continue to be a "rayon de soleil" in my weekend.

**J. Fourel,**
**79 Powerscroft Road,**
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**UK**



## Europa • Manfred Neumann

# The ins and outs of Emu

### A new exchange rate mechanism will be needed to enable countries to enter monetary union later


The difficulties experienced by many European Union countries in reducing their fiscal deficits have led to fears that the starting date for economic and monetary union (Emu) will be postponed. But whenever the single currency is launched, some EU countries are likely to stay outside it, either because they have failed to make sufficient progress towards the economic convergence targets, or because they choose to exercise the opt-outs they negotiated in the Maastricht treaty.

However, this raises the danger of a split between the "ins" and "outs" that could prove divisive unless some institutional link is created to stabilise monetary and economic relations between them. There will, therefore, be a need for some sort of new exchange rate mechanism which will encourage stability and provide the framework required by the Maastricht treaty to allow the "outs" to demonstrate their fitness to join the monetary union at a later date.

There has already been discussion among EU finance ministers and central bank governors on the shape of a flexible ERM II. But the current proposals are deficient in that they repeat the mistake of the previous exchange rate mechanism of putting an intervention obligation on the European central bank – a degree of inflexibility that led to the near-collapse of ERM I.

I believe that a new exchange rate mechanism along the following lines could avoid such problems:

- ERM II should define the exchange rates of its member currencies against the euro, with a normal fluctuation margin of up to 4.5 percentage points around the central rate.
- Participation in ERM II would be voluntary – and there would be no compulsion to keep an exchange rate within the narrow band.
- However, a country that wished to join the monetary union would have to join ERM II and keep its exchange rate within the narrow band for two years before entry to the single currency.
- Countries that joined the new exchange rate mechanism would have to give their central banks the degree of independence required in the Maastricht treaty for entering the single currency. This provision may be controversial – certainly in the UK – but it is necessary to minimise government interference in the new mechanism.
- The only organisation allowed to propose realignments of central exchange rates in ERM II would be the European central bank. The council of finance ministers (Ecofin) would be able to reject a proposed realignment – but the bank would have the right to publish its proposal. This would make rejection unlikely since it would almost certainly lead to a speculative assault on the exchange rate in the currency markets.
- The European central bank would be under no obligation to support intervention when currencies in ERM II came under pressure. But there would be a presumption that it would intervene where countries had achieved sustained economic convergence on inflation, long-term interest rates, budget deficit and public debt levels.
- When a country had met all the convergence criteria for membership of the single currency, its currency would be converted into the euro at the central rate in force in ERM II.

These proposals should appeal to both "ins" and "outs" since they take all their main interests into account. The dominant interests of those inside the single currency will be that exchange rates between the euro and the other EU currencies should be broadly stable, and that the stability of the euro is not jeopardised by having to support its weaker brethren. Both aims are achieved by giving the European central bank a central role.

Since the bank has no obligation to intervene in defence of currencies in ERM II, it can run an independent monetary policy for those in the monetary union. And its prerogative of initiating realignments in exchange rates will allow the bank to deal with unrealistic rates and head off speculative crises.

The countries that stay outside the single currency will not be forced to participate in the new exchange rate mechanism. However, they will have to be in it for at least two years if they later decide to join the monetary union.

Most "outs" will wish to participate in the new exchange rate mechanism from the start to qualify for membership of the monetary union as soon as possible. Consequently, they will continue efforts to achieve the economic convergence targets and try to keep their exchange rates within the narrow fluctuation band.

The model is that of Austria, which stabilised its exchange rate against the D-Mark for years before joining the ERM. That task will become easier for countries which make sustained progress towards the economic convergence targets, since the foreign exchange markets will see little opportunity to speculate against their central exchange rates.

They will be helped by the presumption that the European central bank is likely to intervene when exchange rates come under pressure – this will stabilise exchange rate expectations. But because the bank has the right not to intervene, the governments of the "outs" will not be able to relax efforts to achieve stability and convergence in the hope that the bank will intervene.

And making the final conversion into the euro dependent on the central exchange rate in ERM II will also help stabilise exchange rates. As countries come closer to the economic convergence targets, the exchange rate of their currency will move towards the central rate.

Some have argued that participation in ERM II should be compulsory to stop a country outside the single currency seeking competitive advantage through devaluation.

The argument is ill-founded, however, because no participant in ERM II can be stopped from following this strategy. In any case, competitive devaluation runs counter to the obligation in the Maastricht treaty which requires those outside the monetary union to treat their exchange rates as a matter of common interest.

Finally, it is unlikely that any country will wish to adopt a strategy of competitive devaluation since this will result in rising inflation and drive it further from the desired state of convergence. The proposed shape of ERM II should therefore encourage the exchange rate stability which is so desirable after monetary union, without creating the sort of straitjacket that failed with the old exchange rate mechanism.

*The author is director of the Institute for International Economic Policy, Bonn University, and chairman of the Advisory Council of the Federal Ministry of Economics, Bonn.*

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COMMENT & ANALYSIS

FINANCIAL TIMES

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Friday June 28 1996

# The markets get their man

The collapse of the copper market this month was not merely the work of one rogue trader at the Sumitomo Corporation, as the company claimed. A report in today's FT shows how Mr Yasuo Hamanaka, the trader known in the metal markets as "Mr Copper", was working with the support of his superiors for a decade. The group's huge financial weight was thrown behind his dealings. Sumitomo wanted to drive and keep copper prices high in a classic effort to control a market.

The history of commodities is littered with such misguided attempts to restrain market forces. *In the* early 1980s, the Hunt brothers almost succeeded in cornering the silver market and the Malaysian government came close in tin. *Sometimes producers* have co-operated to influence prices, as in Opec. At other times, consumers have been persuaded to join the club, as in the International Tin Council, which bought so much metal that it collapsed in 1986 with debts which almost bankrupted members of the London Metal Exchange.

It is a comfort for free marketeers that the temptations of trying to control commodity prices are well balanced by the risks. As Sumitomo should have known, given its 300 years' experience in commodities, almost every attempt to control prices has ended in failure. The De Beers diamond cartel is perhaps the only consistently successful campaign to control prices. And even that creaks under the strain of keeping producers together.

## Supply and demand

Commodities lend themselves to such attempts at price-control because the markets are dominated by relatively few large players – often producers, which are able to generate big price swings with relatively small amounts of money. Moreover, these players are spread around the world, mostly trading far away from the LME and other official exchanges.

However, as Sumitomo's huge losses show, the laws of supply and demand eventually reassert themselves. High prices encourage more production and more investment in new sources of material. The markets beat the manipulator, albeit often only after a long time – in this case 10 years.

With hindsight, it is clear that copper users have been paying more for the metal than they need have done. Users' representatives have indeed complained periodically about price swings and metal shortages. But their voices have been muted because they have mostly passed the costs down the production chain, sometimes boosting their own margins on the way. The losers have been consumers, the buyers of wire, pipes and copper-bottomed saucepans.

## More transparent

It is in the interests of countries which are net consumers of commodities – and that means most of the world – to see free and fair commodities markets. How can this be done in metals?

First, while the LME has become a much more transparent market since the 1985 tin crisis, it needs to improve the supervision of its clients. It is not enough for it to oversee LME members when real power lies with the members' customers: the LME should require more real-time trading information and demand more explanations of suspicious-looking deals.

Second, to ensure that things are not only fair but seen to be fair, the exchange should recruit more board members and more staff from outside the metals world.

Third, it is time to integrate the regulation of the futures market – which is subject to investor-protection legislation – and the cash market – which is not.

Finally, the LME and its counterparts in other countries need to expand and accelerate the exchange of information about suspicious-looking transactions.

By themselves, these actions would not prevent future attempts to control prices. But they would make them easier to detect at an early date. They might also encourage a wider range of investors into the market, notably financial institutions. Their presence would eventually make it more difficult for a future Mr Hamanaka to control the market: the best guarantee of free and fair markets is good supervision and plenty of participants.

# Constitutional muddles

The case for constitutional change *will dominate* British politics until the general election. If Labour wins, reform will be a critical priority for the next government. But for all its protestations of opposition to grand constitutional plans the present government is no mean reformer. The choice is not between reform and no reform, but between different programmes of constitutional evolution.

If the Tories win the accent will be on more privatisation of state functions and efforts to manage the public sector on commercial lines. Labour, by contrast, will focus on rights and devolution, with with pride of place going to a Scottish parliament.

The Tory agenda involves less legislation, but it is curious for Mr John Major to claim – as he did earlier this week – that he believes in "practical change not grand plans; above all change that is driven by what people want." In the first place, the government's far-reaching constitutional changes, from privatisation to the creation of Whitehall agencies and the emasculation of local government, have been relentlessly driven by "grand plans".

Secondly, Mr Major's constitutional agenda is manifestly not what people want. Poll after poll reveals disquiet about the constitutional status quo, with large majorities supporting devolution to Scotland, Wales and London, reform of the House of Lords, and a greater role for judges in securing citizens' rights. Yet Mr Major has set his face against all of these reforms as out of keeping with the British reformist *tradition*.

## Devolving power

*This* led Mr Major into an extraordinary defence of the parliamentary role of the hereditary peerage – an anomaly which even previous Tory leaders agreed was long overdue for reform. No less strange was his denunciation of a UK Bill of Rights: "We have no need for a bill of rights because we have freedom". This sentiment would be worrying in its constitutional implications were it not for the fact that the UK does have a *de facto* bill of rights in the form of the European Convention on Human Rights. The question is whether to entrench the convention into UK law.

By the same token, Labour's commitments to entrenching the convention, reforming the Lords and devolving power to Edinburgh are unobjectionable in principle. Every other large European democracy has a tier of regional government, most have a domestic bill of rights and none has a hereditary second chamber. If the British people wish to bring their institutions more into line with accepted democratic practice, Mr Tony Blair is likely to prove a relatively circumspect instrument for doing so.

## Ardent reformers

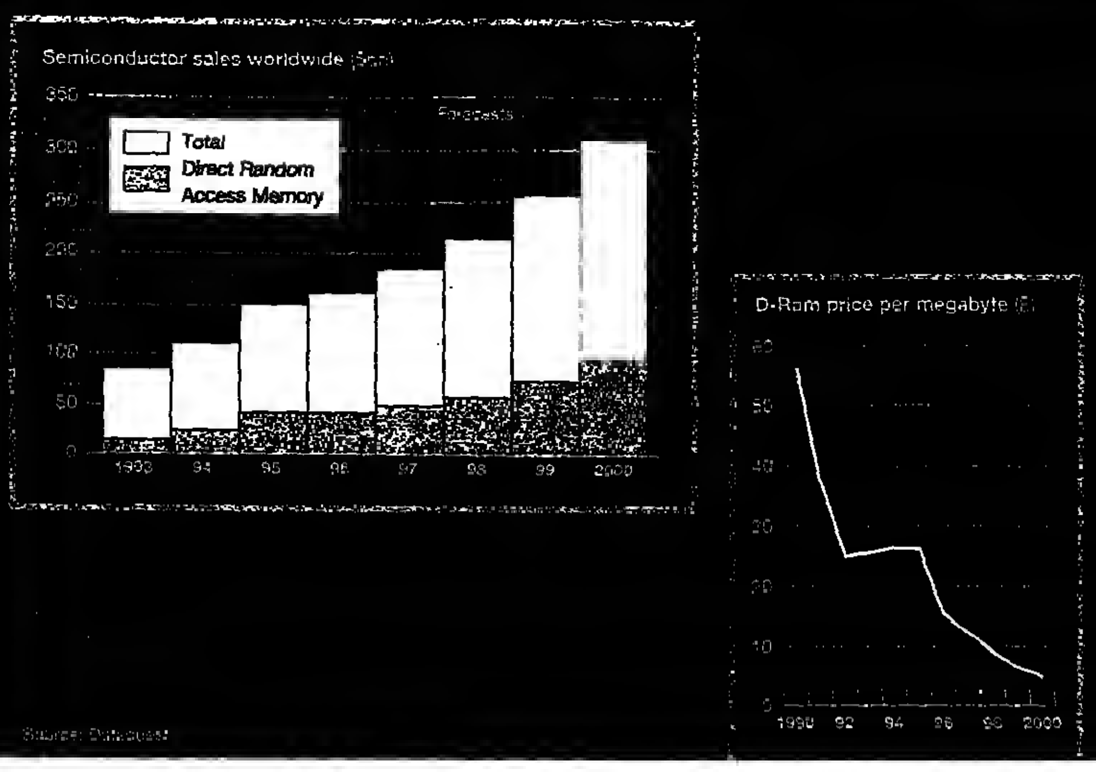
So much so that he is risking the wrath of his more ardent reformers. Earlier this year he watered down Labour's commitment to regional government in England. While supporting the removal of hereditary peers from the Lords he has notably refrained from designing his ideal second chamber. Yesterday he announced that devolution to Scotland and Wales would be contingent upon majority support in referendums to be held before the enacting of legislation.

The decision to hold pre-legislative referendums is right in principle. If they produce decisive majorities they will also provide a valuable head of steam to circumvent parliamentary obstruction.

But there remain flaws. The decision to separate in the Scottish referendum the questions of a parliament and its fiscal powers is *odd*. A parliament would not be worth the name without fiscal powers, and it would hardly be worth establishing one in those circumstances. It would not even be a glorified county council, since local government has power to fund some of its expenditure independently.

More serious still is the refusal to face up to the implications of an Edinburgh parliament for Scottish representation in the Commons. Bluntly, the Scots cannot expect to have a devolved parliament, higher public spending per capita funded by English taxpayers, and continue to be over-represented in the House of Commons. Something has to give.

Semiconductors: a market in turmoil




Worldwide semiconductor market by application

| | 1990 | 1995 | 2000 | CAGR* |
|---|---|---|---|---|
| Data processing | $35bn | $71bn | $141bn | 15% |
| Communications | $14bn | $27bn | $56bn | 15% |
| Consumer | $17bn | $23bn | $44bn | 14% |
| Industrial | $9bn | $14bn | $31bn | 17% |
| Transportation | $5bn | $9bn | $14bn | 12% |
| Military/Aerospace | $3bn | $3bn | $4bn | 5% |
| Total | $86bn | $151bn | $310bn | 15% |

*Compound annual growth rate

Leading chip manufacturers

| 1995 sales | 1995 Revenue ($m) | Revenue share % of total | % revenue growth 1994-95 |
|---|---|---|---|
| Intel | 13,172 | 8.7 | 30 |
| NEC | 11,844 | 7.8 | 42 |
| Toshiba | 10,077 | 6.7 | 33 |
| Hitachi | 9,137 | 6.0 | 38 |
| Motorola | 8,425 | 5.6 | 21 |
| Samsung | 8,329 | 5.5 | 73 |
| Texas Instruments | 7,831 | 5.2 | 41 |
| Fujitsu | 5,538 | 3.7 | 49 |
| Mitsubishi | 5,279 | 3.5 | 40 |
| Hyundai | 4,150 | 2.7 | 172 |
| Total | 151,000 | 100 | 37 |

# A low point for high-tech

**John Burton, Louise Kehoe, Michiyo Nakamoto** and **Paul Taylor** on the shockwaves caused by a plunge in the price of computer chips

It is only nine months since the world semiconductor industry was forging ahead. Demand for chips was so great that there was a shortage, analysts were forecasting record growth and manufacturers were unveiling plans for dozens of $1bn chip factories.

The euphoria has been shortlived. Disappointing Christmas PC sales in the US slowed demand as the introduction of new production techniques enabled more chips to be produced from each silicon wafer. The shortage rapidly turned into a surplus, and the price of dynamic random access memory (D-Ram) chips – the basic memory chips for PCs – has plunged.

"D-Ram prices have dropped by about 65 per cent over the past six or seven months," says Mr Ulrich Schumacher, general manager of the standard integrated circuit division at Siemens, the German electronics group.

Commodity chip prices normally fall by 20 per cent to 30 per cent a year as manufacturing costs fall. *But with manufacturers scrambling* to protect market share, international spot market prices for 16Mb D-Rams have fallen from $25 to a low of $10 – below the breakeven point of some Asian manufacturers.

While the price falls have been good news for PC buyers, they have sent shockwaves through the semiconductor industry forcing many chip manufacturers to scale back planned production increases and reassess their investment plans.

Hardest hit have been the Asian manufacturers, which make the bulk of the D-Ram chips – in particular, the Korean companies. The big three Korean semiconductor manufacturers, Samsung, Hyundai and LG Semicon, accounted for almost a third of total memory chip production last year. All are dependent on D-Rams rather than microprocessors and other advanced chips which enjoy fatter profit margins and a more stable, larger market.

LG Semicon, scheduled to be listed on the Seoul stock exchange in August, has frozen monthly production at 8m chips. Hyundai has reduced planned production by 22 per cent to 11m chips a month.

The share price of Samsung, the world's largest memory chip producer, has halved since the beginning of the year. The company has announced plans to cut production of its mainstay 16-megabit D-Ram chips by 15 per cent during the second half of the year, returning output to 1995 levels of 12m chips a month. And it plans to enter the microprocessor market through a licencing agreement with Digital Equipment, the US computer manufacturer, in an effort to diversify its semiconductor business.

Japanese semiconductor makers have also been hit. NEC, Japan's largest semiconductor maker and the world's second largest, has said it will cut production of 16Mb D-Rams by 16 per cent from 11m per month to 9m, and postpone plans to increase production to 18m units by January. Last year it invested a record Y210bn in plant and equipment, much earmarked for the production of 16Mb chips.

Hitachi has scaled down plans to expand production of 16Mb D-Rams, while Fujitsu has halted plans for an £816m expansion at its Newton Aycliffe plant in northeast England and postponed the start of production at a new $1bn plant in the US state of Oregon by six months.

"We expect prices to fall around 30 per cent," says Fujitsu. "In a transitional phase we need that to happen to give customers an incentive to try the latest generation chips. But when prices fall 50 per cent in 6 months, everyone starts to get a little jittery."

There are signs that the collapse in D-Ram prices may have finally reached an end. In the past three weeks, spot prices for memory chips have risen about 15 per cent.

Mr Schumacher of Siemens says the apparent stabilisation of the market reflects two factors. First, "prices have fallen below the cost of manufacturing for some of our competitors". This has put a floor under any further price reductions.

Second, Korean producers have raised their spot prices to head off legal action in the US where there have been allegations of dumping by Hyundai and LG Semicon. Earlier this month, Micron Technology, a US memory chip manufacturer, called on the US Department of Commerce to launch an expedited investigation of the alleged dumping after falling prices led it to halt construction of a new plant in Utah.

However a sustained recovery in D-Ram prices will depend on how fast PC buyers move from wanting 8Mb of memory to the 16Mb many believe is ideal for running Windows 95, Microsoft's newest operating system. Although widely expected "it is not happening as quickly as we expected", says Mr Jim Handy, an analyst at Dataquest, the US market research group.

Meanwhile the volatility of semiconductor shares over the past few months has been increased by widely varying projections for growth in demand. Bear Stearns, the Wall Street stockbroker, expects semiconductor revenues to grow 15 per cent this year to reach $165bn. The Semiconductor Industry Association, a US trade group, is projecting 6.7 per cent growth while Dataquest recently lowered its growth forecast from 22 per cent to 7.5 per cent. Pathfinder Research, a market research group formed by former Dataquest analysts, is even more pessimistic in predicting a 9 per cent decline in sales this year.

"Anybody who says they can forecast this industry has spent too much time in the sun," Mr Pat Weber, vice-chairman of Texas Instruments told a technology conference last week.

He is campaigning for a better indicator of market conditions than the "book-to-bill ratio", published by the Semiconductor Industry Association, the trade group that he chairs this year. He says this closely watched barometer of US semiconductor sales and orders – which compares the value of chips shipped during the past month with the value of new orders – is unreliable and should be replaced by a measure of worldwide conditions.

The ratio has long been controversial among US industry leaders. While some maintain that it provides a useful signal of market trends, others believe it contributes to market and share price volatility.

The drop in the ratio since November has been entirely due to the fall in memory chip prices. But D-Rams account for only a quarter of the global semiconductor market, worth about $151bn last year, and the ratio has masked strong growth in other segments, critics charge.

Double-digit revenue growth continues, for example, in microprocessors, the brains of personal computers, and digital signal processors, devices used to transform sound and graphics into bits and bytes. Strong growth in the semiconductor industry – 42 per cent last year and an average of 34 per cent over the past three years – has been fuelled by the proliferation of such semiconductors and looks set to go on.

Overall, industry leaders and analysts insist fundamentals remain firm. "The high technology revolution is still in its early stages," says Mr Joe Granier, director of Dataquest's semiconductor group.

Nevertheless, Asia's memory chip manufacturers have been reminded that, at least at the commodity end of the market, semiconductors remain a volatile and unpredictable "feast-to-famine" business.

# Alarm signals for investors

The strongest sign that investor alarm is spreading beyond the commodity chips sector came in Amsterdam earlier this month when shares in Philips, the Dutch electronics group, slid nearly 9 per cent in less than a week.

The company was forced to confirm a Dutch report that its semiconductor plant at Nijmegen near the German border had quietly taken a long weekend break where none had been found necessary last year. The summer might bring a more extended shutdown, analysts suspect, ostensibly for maintenance.

The group does not make the off-the-peg memory chips which have more than halved in price in the last six months. Its semiconductor division concentrates on the bespoke side of the business – providing application-specific integrated circuits (asics) tailored to particular products. Orders come from individual industry customers which use them largely in making consumer or communications appliances.

"Price erosion is going on," says Mr Joost van Beek of James Capel, the stockbroker, who was at the plant for a briefing on Wednesday. "In asics customers usually have no alternative, but if they see the price drop in other [memory] markets, and they know there is overcapacity, they can force prices down."

Last year, Philips cut prices – but by only 2 per cent below 1994 levels. This year Mr van Beek expects a 7 per cent decline.

Still, he adds: "Philips is in a more favourable position than, for example, Korean companies which may turn in losses as a result."

Semiconductors are by far Philips' most profitable business, bringing in nearly 36 per cent of its operating earnings last year. But operating margins in the semiconductor division have fallen from 22 per cent last year, and are likely to be about 15 per cent this year.

The company has plans to double its chip sales by 2000 from last year's Fl 6.7bn. It has begun a Fl 800m investment programme in sub-micron wafers – thin silicon slices embedded with circuitry – which would involve taking on 625 extra workers at Nijmegen.

So far, however, only some 200 have been hired. The company insists its investment plans will go ahead, but adds that the speed at which they are implemented will be "adapted to the market".

Gordon Cramb

# · OBSERVER ·

## Spooky CIA slips up

■ The Central Intelligence Agency has taken to the Internet. Not to uncover other people's secrets, it *seems, but* to "*communicate*" more widely its "Vision, Mission and Values".

Under the heading "*What we stand for*", the agency's cyber-pages tell us that it has "a deep commitment to the customer". *It adds that it achieves* its goals through "total participation of an excellent and diverse work force", "innovating *and taking* risks to get the job done", and "adapting to both a changing world environment and evolving customer needs".

It has clearly penetrated the shady world of corporate relations. Its mission statement is fashionably mysterious, *too*. "Conducting counter-intelligence activities", well, that's no surprise. But what then are "special activities... *as directed* by the President"? Not to mention "other functions related to... national security"?

But doubt is cast *on its claim of* pre-eminence in intelligence gathering by its description of the UK. This country, which it calls a "money laundering centre", is "mostly rugged hills and low mountains; level to rolling plains in east and south-east".

Months of undercover work in that one. And it clearly knows something the Inland Revenue does not when it tells us the fiscal year is April 1 to March 31. The Revenue *said yesterday*: "We are still using April 6 to April 5," adding that if the CIA was insisting otherwise "it's a bit worrying, isn't it?"

## Ad astra

■ With friends like these... As Hakan Mogren, chief executive of Sweden's Astra, was *battling at a* press conference on Wednesday to restore his company's battered reputation following allegations of sexual harassment against Astra executives in the US, fellow Astra board member Lars Ramqvist was *airing his own views*.

Ramqvist, who is chief executive of Ericsson, told a Swedish business magazine the scandal had "helped to get *Astra's name known* in the US without expensive advertising costs".

In another part of a lengthy *interview*, Ramqvist *said* he saw women as "sexual creatures" – even if he did make clear that professionally he was a strong *promoter of sexual equality*. A flustered Mogren was at pains to stress that he did not agree with his colleague, who later protested he had been joking.

But Ramqvist's comments can hardly have helped Astra's case that the sexual harassment scandal was the result of one rogue executive, not a problem of corporate culture.

## Bare essentials

■ Perhaps the audiences for the Palm Springs Suns' baseball games were flagging. Anyway, *some* promoter hit on the bright idea of of having a Clothing Optional Night in early July. Surely letting the fans watch the game to the nude would draw in the crowds. It promised to do so. So the match *had to be cancelled. The stadium* accommodates a mere 4,400 bodies, but the sponsor reckons interest was sufficient to fill Dodger Stadium in LA.

## Don't all shout

■ You may have missed it, but yesterday was annual general *meetings day in Japan. Not that* it's officially declared as such, simply that Thursday was the day when thousands of companies – 2,235 to be precise – *held their* annual shareholders' meetings. It seems they annually clog the calendar thus in the (generally vain) *hope of minimising the risk* of disruption by hecklers and mischief-makers, who are known as *sokaiya*.

The naughty *sokaiya* buy a *few* shares – and then blackmail companies by threatening either to disclose embarrassing information at the meetings or to disrupt them.

Yesterday some 9,000 officers were on duty to prevent trouble; there were no reports of violence or arrests. The twist this year is that much of the heckling came not from *sokaiya* but from angry, genuine, ordinary shareholders.

## Czechspeak

■ Those who feel that Wednesday's football result was an England victory in all but the final score line may welcome a crash *course in Czech for use* at the weekend. A Czech reader of Observer, attending the match at the weekend, has helpfully provided this guide (partly phonetic, to help English speakers).

*The* most common exhortation is Do toho, do toho ("Come on", or "Just do it"). In case players are in doubt about who is being addressed: "*Chehi, Chehi, Chehi*" (Czechs, Czechs, Czechs). Plus, if action seems to be slowing, "Pojdte hoshe pojdte do to ho".

*To indicate* disapproval, "Fuh", (pronounced "phooey", and with the same meaning). Sick parrots and lunar phases are not a feature *of Czech football* and the *nation is* too polite to tell any opponents to go home. Instead, spectators shout informatively "Chehi yso Lepshy", or "Czechs are better". As an option, loud whistling is felt to indicate the same sentiment.

In desperation, "good luck" is "Hodne Stesti".

The Financial Times

## 50 years ago

**Inflation in Canada**
Presenting his first full-year peacetime Budget in the Canadian Parliament, Mr. James L. Isley, *Finance Minister*, called for peak production of civilian goods as a safeguard against inflation, which he said still threatened Canada. *Prospects of* a high level of employment, he said, were bright. A heavy demand for consumer goods backed by purchasing power had largely replaced war requirements. The overall deficit *for the fiscal year 1945-46 was* $1,736,000,000, which was $822,000,000 less than the previous year.

**British North Borneo Company**
A special *meeting* of the company was held in London, Major-General Sir Neill Malcolm, the president, presiding. *He said*: "We are being asked by His Majesty's Government to commit hara kiri, and in the orthodox *manner* they have presented us with a silken cord and phial of poison. We may choose which we like, or take nothing. But, quite frankly, this *is* an ordinary procedure, as they said to us in their first notice, that the Government felt the time had come when they must resume *complete responsibility for the* administration of the territory."

# FINANCIAL TIMES
Friday June 28 1996



Gradual change less effective, says World Bank

## Rapid reforms 'working for ex-communist states'

**By Graham Bowley and Kevin Done in London**

Rapid and widespread market-based reform has successfully steered many former centrally-planned Communist states towards market economies, the World Bank said yesterday.

The bank gave the news as a strong retort to critics who advocated more gradual transition.

The core message of the bank's *World Development Report* was that firm and persistent market liberalisation yielded large benefits – even though each country's circumstances such as history, geography and political structure needed to be taken into account.

Some countries which embarked on reform early and applied consistent policies were beginning to emerge from transition and were making good the steep fall in output of the early years, the report said.

Countries which have adjusted more slowly and less consistently were still experiencing falling output and rising poverty. These countries must now introduce rapid and broad structural reform, the report concluded. Mr James Wolfensohn, president of the World Bank, said: "The report drives home the utter necessity of both liberalising economies through trade and openness to new markets, and stabilising them through reduced inflation and fiscal discipline – and then sticking to these policies consistently over time."

The survey covered 28 countries in central and eastern Europe, the newly independent states of the former Soviet Union, and Mongolia, China and Vietnam. It found that where growth was achieved it followed rapid, extensive market liberalisation, price stabilisation and open trade policies. These allowed new businesses to flourish, particularly in export and service sectors.

The World Bank cited China as a special case where gradual reform had appeared to work. But it noted that China was much poorer and less industrialised than other transition countries at the start of reforms.

Gradual reform was possible in China because it was "able to keep a tight grip on both the macro and the micro-economy, supervising those activities still covered by the plan and imposing stiff penalties for non-compliance".

In central and eastern Europe, rapid systemic change might entail painful and deep structural adjustment, the report said. But the alternative of maintaining the status quo would result in "persisting inflation and economic disarray".

Among the leading reformers, industrial labour productivity in Poland and Hungary was a third higher by 1995 than before 1989. Poland's economic growth of 7 per cent in 1995 was led by an expansion of 15 per cent in the private sector while the state sector declined by 3 per cent.

Several of the former republics of the Soviet Union have made the least progress in economic liberalisation. In countries such as Uzbekistan, Ukraine and Belarus private sector output still accounted for significantly less than 40 per cent of GDP.

During the past five years the transition economies have privatised more than 30,000 large and medium-sized enterprises.

Pain of transition, Page 4

## Germany's Greens hit at easing of planning procedures

**By Michael Lindemann in Bonn**

A German attempt yesterday to speed up planning procedures and make the country more attractive to inward investors met immediate complaints that cherished environmental standards were being put risk.

Environmental groups said the new legislation would "dismantle" standards which had been fought for for years and would force environmentalists "back on to the streets".

The new legislation was passed by the Bundestag, the lower house of parliament, where deputies from the opposition Social Democrat and Green parties warned that the accelerated procedures were a blow to "democratic rights" because they no longer permitted local residents to have a say in how new factories were built.

The determined opposition highlights the problems facing Germany as it tries to reconcile some of the world's highest environmental standards with easing the bureaucracy facing investors.

Mr Otto Schily, an SPD deputy, underlined the overbearing nature of Germany's bureaucracy when he said a Frankfurt baker had to provide five pages of construction plans and 10 further pages on safety measures for a seven metre high cake being built to celebrate the anniversary of a Frankfurt newspaper.

Mr Ernst Hinsken of the conservative Christian Social Union said it took up to 14 months to get large industrial investments approved in Germany compared with five months in Spain.

Mr Helmut Röscheisen, director of the Deutscher Naturschutzring environmental group, said the legislation would reduce standards in the German water industry, where licences could in future be renewed without local consultation.

It would also relax planning procedures to such an extent that it would be possible to build factories and housing developments anywhere on greenfield sites, regardless of the existing boundaries of towns and villages.

Environmental groups also said the lower standards would damage the German environmental technology industry which has grown strongly.

According to estimates, the industry now employs about 1m people in Germany. Some studies suggest Germany has recently lost its position as world market leader to Japan.

Recent Bundesbank statistics showed foreign direct investment in Germany was DM13bn ($8.4bn) last year, against German investment abroad of almost DM50bn.

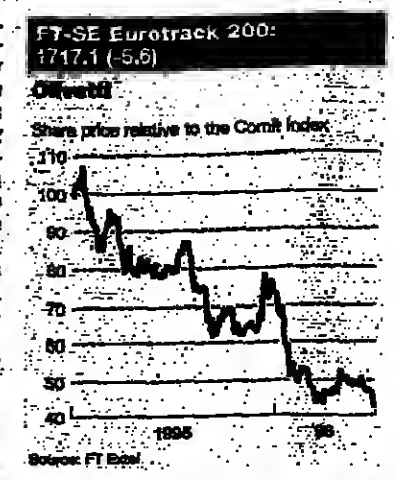
Mr Hans-Olaf Henkel, head of the German Industry Federation or BDI, said the UK had attracted 10 times more foreign investment than Germany since 1985, even though the German economy was twice the size of Britain's.

## THE LEX COLUMN

# Digging in

If you are in a hole, stick together. That is what small Eurotunnel shareholders are doing, and the company should be grateful. By pooling large numbers of proxy votes, activist Ms Sophie L'Hélias is not only breaking new ground in French corporate governance; she is posing a threat which indirectly gives the company some badly needed negotiating leverage with its banks. Yesterday's heated annual meeting was only a dress rehearsal; the real test will come when shareholders finally vote on the company's restructuring.

Ignore the company's proud declaration that it wants existing shareholders to keep at least half its equity; without knowing how much debt Eurotunnel will be burdened with, this is meaningless. A big share of a company worth nothing is worth less to shareholders than a smaller proportion of a company worth something.




But they should not hold their hopes up. For all Ms L'Hélias' good work, the shareholders' position is weak. They have only one weapon: the power to vote down a restructuring, forcing the company into administration. And even that may not frighten the banks that much. They would rather avoid it – for one thing, their hold on the company's management would weaken. If the shareholders' price is modest, they will probably pay it. But however much the company talks up the risks for the banks of a French administration, legal experts say the underlying principle is clear; in France as in the UK, shareholders rank below bank creditors. So when it comes to the crunch, shareholders almost certainly have less to lose if they agree a restructuring than by pushing the company into the abyss. That might not make the shares completely worthless. But the idea that shareholders could hold the banks to ransom for £1bn – Eurotunnel's current market capitalisation – belongs in cloud cuckoo land.

### Olivetti

Last December Mr Carlo De Benedetti set June 1996 as the date by which he had to show there had been a real turnaround at Olivetti, the computer and telecoms group he chairs. "If it doesn't work, I'll be chased out," he said in an interview with the Financial Times. With his self-imposed deadline now upon him, it is hard to argue that a real turnaround has been achieved; since the interview, Olivetti's shares have underperformed the Milan market by over 40 per cent. But Mr De Benedetti shows no signs of giving up power. It is rather his number two, Mr Corrado Passera, who is leaving. Mr Passera's departure looks a blow for investors, since he was responsible for restructuring Olivetti's personal computer operations which have been the source of endless red ink in recent years. He was also heavily involved in marketing last December's massive L2,257bn share issue. It may be that Mr Passera left because bright new pastures beckoned, but that hardly squares with rumours that he is moving to Banco Ambrosiano Veneto, a mid-sized bank.

Equally, it is not encouraging that his replacement is expected to be Mr Francesco Caio, head of Omnitel, Olivetti's mobile phone subsidiary. Though Mr Caio is respected, moving him would be robbing Peter to pay Paul. It would surely be better to recruit a top-notch executive from outside. The snag is it might be hard to persuade somebody of the right calibre to work under Mr De Benedetti. Maybe investors should take Mr De Benedetti at his word and chase him out.

### Rank

Rank Organisation is crying out for a restructuring. Yesterday's downbeat trading statement, which lopped 8 per cent off the shares, shows the leisure group suffering in core businesses such as video duplication, US resorts and the Hard Rock Cafe chain. This increases the pressure on Mr Andrew Teare, the new chief executive, to come up with something imaginative when he unveils his strategic review in August.

Rank is currently a loose collection of 17 businesses, grouped into four divisions, but run largely independently of one another – and sometimes in competition. Extracting savings by forcing some of them closer together should be relatively straightforward and Mr Teare's cost-cutting experience at English China Clays will stand him in good stead.

It is much more difficult to see which of its businesses Rank should concentrate on. Casinos and Hard Rock Cafes have good growth prospects, but expansion is expensive. Bingo, cinemas and nightclubs are businesses Rank knows well, but are facing growing competition. By contrast, the holiday division, which includes Butlins, looks an obvious disposal candidate; it is in long-term decline and its strong market positions could make it valuable to a rival.

There is undoubtedly value to unlock in Rank. But while disposals are needed to sharpen the group's focus, Rank may be slow to deliver them. It does not need the money; it is already struggling to invest the proceeds of last year's sale of part of its stake in Rank Xerox.

### Cellnet

Mobile phone operators are supposed to be growth stocks, so the fact that Cellnet, owned by British Telecommunications and Securicor, made less money in the half-year to March than in the previous six months has come as a big shock to investors. Securicor's share price has fallen almost 20 per cent in the past two weeks, while shares in BT, Orange and Vodafone have all weakened.

There is no doubt competition is hotting up. Vodafone and Cellnet have had to drop tariffs in response to Orange's launch and are subsidising the switch of customers from analogue to digital networks, at a cost of around £150 a handset. In addition, Cellnet has found its aggressive marketing drive over Christmas 1994 attracted the wrong kind of subscriber – low-volume users, many of whom handed in their phones before covering the cost of signing them up. That has had an immediate impact on profits.

But this is still a market with enormous potential. Fewer than 10 per cent of the UK population have a mobile phone and subscriber numbers are expected to grow at 30 per cent a year for the foreseeable future. Earnings growth will be slower, as competition cuts into margins. But there will be at least one positive side-effect for Securicor investors. As Orange and Mercury One-2-One establish national networks, BT should be able to overcome the current political objections to buying out Securicor's 40 per cent stake in Cellnet.

Lex comment on Asda, Page 24

## Sumitomo

Continued from Page 1

Hamanaka's direct superior, Mr Akio Imamura, from general manager of the non-ferrous metals division to managing director had been cancelled.

Sumitomo managed to thwart efforts by investors to question executives. Mr Kazuyoshi Yuoka, president of a small textile maker to Osaka, was the only one of 475 minority shareholders at the meeting who managed to get himself heard over applause and a chorus of *"ryokai"* (understood) and *"igi nashi"* (no objections) from Sumitomo group employees.

After snatching a microphone from a Sumitomo employee, Mr Yuoka demanded that Mr Tomiichi Akiyama, who stepped up from president to chairman yesterday, and other executives take responsibility for the losses by giving up their private assets.

## Eurotunnel

Continued from Page 1

comments came during a long and at times heated meeting attended by hundreds of shareholders – some of whom expressed their frustration at the poor performance of their investment and the management of the company.

Hecklers interrupted several of the executives outlining the group's current financial situation, saying they were "fed up" and wanted to discuss the progress of the negotiations with the banks – the subject addressed by Mr Ponsolle.

## Global nuclear test ban talks set to miss deadline for treaty

**By Frances Williams in Geneva**

Negotiations on a global nuclear test ban look set to end by today's deadline with no break in the deadlock over conditions for bringing the treaty into force.

Mr Jaap Ramaker of the Netherlands, chairman of the talks, said yesterday he would present a final draft accord today and ask negotiators to return to Geneva with their governments' verdicts at the end of July.

The June 28 deadline for the United Nations-sponsored talks was set with the aim of sending a completed treaty to the UN general assembly for signing this September.

Diplomats said this timetable could still be met if the treaty was agreed in a month's time – but failure then would almost certainly mean a collapse of the talks, launched early in 1994.

France yesterday became the first of the official nuclear powers to say it would sign the treaty in spite of the document's "imperfections". However, India has threatened to veto the pact if its own membership is made a requirement for the treaty to come into force.

Britain, Russia, China and Pakistan insist the treaty be ratified by the five declared nuclear weapons states – the US, Russia, China, Britain and France – and the three threshold states of India, Pakistan and Israel, for it to have any value.

Britain, Russia, China and Pakistan have rejected widely supported proposals for a "waiver" that would allow the treaty to come into force without one or more of the eight. India has already made clear it will not sign the treaty on national security grounds because the references to total nuclear disarmament are too weak.

Informal discussions were expected to continue last night on a formula for entry into force that would avoid a blocking veto by India while satisfying the other countries' concerns.

Mr Ramaker's current draft requires ratification by all 39 states with nuclear test monitoring stations, including the eight nuclear and threshold countries. India has already served notice that – as a non-signatory – it will not take part in the international monitoring system.

One option would be to require ratification by the 61 members of the UN disarmament conference, from which India would be reluctant to withdraw. This would be coupled with provisions for a conference of ratifying states after a certain period to decide on action if the treaty had still not come into force.

Western diplomats said such a conference could decide on provisional application of the treaty.

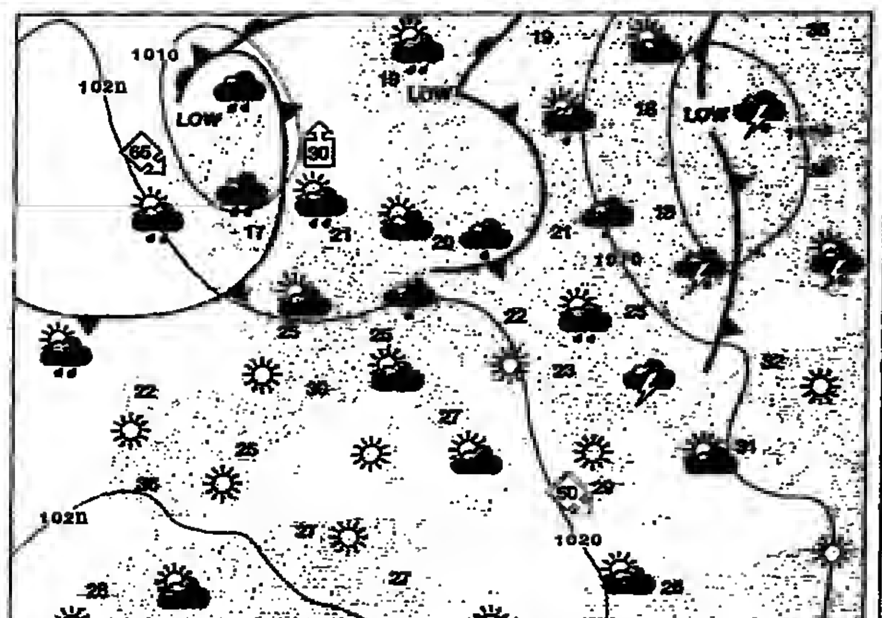
## FT WEATHER GUIDE

### Europe today

The British Isles will be cloudy with rain as low pressure moves eastward across Scotland. The heaviest rain is expected in southern Scotland and western England. The southern regions will be dry and cloudy in the morning. Skies will clear later in the day in western Ireland. The Benelux and northern Germany will be cloudy with patchy drizzle. France will be sunny with temperatures around 25C. The Iberian peninsula will be hot and sunny. The eastern Mediterranean will also have plenty of sunshine and high temperatures. There will be torrential rain from Moscow to northern Romania due to strenghthening low pressure. South-east Russia will be extremely warm. There will be rain from southern Germany to southern Poland.

### Five-day forecast

A period of unsettled conditions will start Saturday in the British Isles, the Benelux, southern Scandinavia and western Germany. Sunny spells will be interspersed with showers. Warm and sunny conditions will persist across the Mediterranean.




*Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands*

**TODAY'S TEMPERATURES**

| | | Maximum Celsius |
|---|---|---|
| Abu Dhabi | sun | 43 |
| Accra | thund | 29 |
| Algiers | sun | 27 |
| Amsterdam | cloudy | 20 |
| Athens | sun | 29 |
| Atlanta | fair | 33 |
| B. Aires | cloudy | 9 |
| B.ham | rain | 18 |
| Bangkok | rain | 33 |
| Barcelona | sun | 26 |
| Beijing | fair | 32 |
| Belfast | rain | 17 |
| Belgrade | cloudy | 27 |
| Berlin | cloudy | 22 |
| Bermuda | cloudy | 27 |
| Bogota | thund | 18 |
| Bombay | cloudy | 32 |
| Brussels | cloudy | 22 |
| Budapest | fair | 25 |
| C.hagen | fair | 18 |
| Cairo | sun | 31 |
| Cape Town | sun | 21 |
| Caracas | cloudy | 30 |
| Cardiff | rain | 18 |
| Casablanca | fair | 28 |
| Chicago | sun | 33 |
| Cologne | drzzl | 22 |
| Dakar | fair | 29 |
| Dallas | sun | 35 |
| Delhi | cloudy | 36 |
| Dubai | sun | 44 |
| Dublin | rain | 17 |
| Dubrovnik | fair | 23 |
| Edinburgh | rain | 18 |
| Faro | sun | 29 |
| Frankfurt | cloudy | 25 |
| Geneva | fair | 27 |
| Gibraltar | sun | 28 |
| Glasgow | rain | 17 |
| Hamburg | cloudy | 20 |
| Helsinki | cloudy | 19 |
| Hong Kong | shower | 31 |
| Honolulu | fair | 32 |
| Istanbul | fair | 28 |
| Jakarta | fair | 31 |
| Jersey | shower | 18 |
| Karachi | fair | 35 |
| Kuwait | sun | 45 |
| L. Angeles | fair | 22 |
| Las Palmas | sun | 28 |
| Lima | cloudy | 18 |
| Lisbon | sun | 33 |
| London | shower | 21 |
| Luxbourg | cloudy | 23 |
| Lyon | sun | 28 |
| Madeira | sun | 27 |
| Madrid | sun | 32 |
| Majorca | sun | 28 |
| Malta | sun | 27 |
| Manchester | rain | 18 |
| Manila | thund | 31 |
| Melbourne | rain | 14 |
| Mexico City | shower | 20 |
| Miami | thund | 32 |
| Milan | fair | 30 |
| Montreal | sun | 26 |
| Moscow | rain | 18 |
| Munich | cloudy | 24 |
| Nairobi | cloudy | 24 |
| Naples | fair | 29 |
| Nassau | fair | 32 |
| New York | fair | 28 |
| Nice | sun | 28 |
| Nicosia | sun | 38 |
| Oslo | shower | 19 |
| Paris | cloudy | 23 |
| Perth | shower | 17 |
| Prague | shower | 22 |
| Rangoon | rain | 30 |
| Reykjavik | fair | 13 |
| Rio | fair | 26 |
| Rome | fair | 27 |
| S. Frsco | fair | 22 |
| Seoul | fair | 29 |
| Singapore | cloudy | 30 |
| Stockholm | fair | 23 |
| Strasbourg | cloudy | 24 |
| Sydney | sun | 17 |
| Tangier | sun | 29 |
| Tel Aviv | sun | 29 |
| Tokyo | rain | 27 |
| Toronto | fair | 29 |
| Vancouver | fair | 20 |
| Venice | fair | 26 |
| Vienna | cloudy | 23 |
| Warsaw | shower | 21 |
| Washington | sun | 31 |
| Wellington | sun | 12 |
| Winnipeg | fair | 30 |
| Zurich | cloudy | 22 |





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